Agriculture and Rural Development

Annual Report
2013-2014

Alberta
Government

Agriculture and Rural Development

Annual Report 2013-2014

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Preface

The Public Accounts of Alberta are prepared in accordance with the ***Financial Administration Act*** and the ***Fiscal Management Act***. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 19 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and ***Measuring Up*** report, which compares actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Agriculture and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- the financial statements of entities making up the Ministry including the Department of Agriculture and Rural Development, regulated funds, and provincial agencies for which the Minister is responsible;
- other financial information as required by the *Financial Administration Act* and *Fiscal Management Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report; and
- financial information relating to trust funds.

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2014, was prepared under my direction in accordance with the ***Fiscal Management Act*** and the government's accounting policies. All of the government's policy decisions as at June 5, 2014 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

Verlyn Olson, Q.C.
Minister of Agriculture and Rural Development

Message from the Minister

Alberta's producers certainly had a lot to celebrate in 2013. Farm cash receipts reached a total of $11.8 billion, which was the second highest on record. The quality for crops like wheat was great and we saw record yields for nearly all crops.

Unfortunately in the wake of this bumper crop, farmers faced the challenge of dealing with delays in getting their products to market. That's why Alberta joined with its neighbours and industry partners to call on the federal government to make improvements and increase accountability in the grain-transportation system, specifically to ensure rail companies meet their shipping commitments. The Order in Council passed by the federal government in March and recent federal legislation aimed at improving rail service are successful outcomes of those actions.

We also partnered with the federal government in continuing to invest in the long-term growth of our agriculture sector through the *Growing Forward 2* agreement. Over the next five years, starting in 2013, more than $400 million will be invested in strategic programs to support research and innovation, business and market development, food safety, farm safety and environmental stewardship. That's a 50 per cent increase in funding over the previous Growing Forward agreement.

We had to make some hard choices in 2013-14. We reduced our operational budget by $100 million with the lion's share of that realized by eliminating the six cent per litre Fuel Distribution Allowance portion of the Alberta Farm Fuel Benefit Program and the nationwide changes to the Agri-Invest and Agri-Stability programs. I am pleased to say that despite the elimination of the distribution allowance, Alberta's farm fuel program is still among the best in Canada and our business risk programs continue to support the needs of producers.

Alberta continued to strengthen our trade relationships and explore new trade opportunities in key markets like Asia. I also travelled to Kazakhstan where I met with officials and industry groups interested in purchasing our cattle and genetic material. The Comprehensive Economic Trade Agreement with the European Union, signed in principle by Prime Minister Harper in October, will also open up the EU market to Canadian producers, especially in the beef, pork, grains and oil seeds sectors.

As we open doors to new markets, Alberta producers are also opening their farm gates and welcoming urban people to their operations. The inaugural Open Farm Days took place this past summer and was a great success as more than 40 farms and agricultural operations participated. Several thousand Albertans took in farm and dairy tours, wine tastings and sampled some fantastic locally produced foods. We are looking forward to seeing this initiative grow even bigger this coming August.

I believe rural Alberta has a wider tourism opportunity that holds incredible potential to add more value to our rural communities and agriculture industry. The inaugural Tour of Alberta professional cycling race, which was broadcast worldwide to 41 million viewers, provided a tremendous opportunity for us to show off our beautiful province, with a lens towards creating increased tourism into rural Alberta.

One of our biggest challenges continues to be the United States government's mandatory Country Of Original Labelling requirements, or mCOOL. These onerous labelling rules are hurting the livestock industry on both sides of the border by imposing millions of dollars in unnecessary costs. This past year, I was in Chicago and Washington, and worked closely with the federal government to make sure that Alberta's position on mCOOL is well-known. I feel we have made some progress on this and I will continue my advocacy efforts.

Any look back at 2013 is not complete without a mention of the unprecedented flooding in southern Alberta. While there was thankfully no widespread crop or livestock losses, the flood took a devastating toll on many communities. I'm proud of how Albertans rallied to help during the recovery efforts; it is a testament to the strength of character, compassion and sense of community that are part of our province's core values.

So, while every year has its highlights and challenges, I believe the future of agriculture in this province is extremely bright and we look forward to building on our successes in 2014.

[Original signed by]

Verlyn Olson, Q.C.
Minister of Agriculture and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture and Rural Development includes:

- Department of Agriculture and Rural Development
- Agriculture Financial Services Corporation
- Alberta Grains Council
- Irrigation Council
- Agricultural Products Marketing Council
- Alberta Livestock and Meat Agency Ltd.
- Office of the Farmers' Advocate of Alberta

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – information agrees with underlying data and the sources used to prepare it.
- Understandability and Comparability – current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- Completeness – performance measures and targets match those included in Budget 2013.

As Deputy Minister, in addition to program responsibilities, I am responsible for the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, the President of Treasury Board, the Minister of Finance, and the Minister of Agriculture and Rural Development information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the ***Fiscal Management Act.***

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executives of the individual entities within the Ministry.

[Original signed by]

Jason Krips
Deputy Minister of Agriculture and Rural Development
June 5, 2014

Agriculture in Alberta

Farming Foundation

Alberta has experienced rapid change since joining Confederation in 1905, but one thing that has not changed is the proud tradition of hard-working Albertans tending the land and growing the economy. Our agriculture and food sector has shaped the province's history, built communities, and will undoubtedly be an integral part of the province's future.

In the beginning, our agriculture industry had to adapt quickly to Alberta's uncertain climate, but our resilient farmers recognized the need to diversify and began transitioning to mixed farms consisting of both livestock and field crops. Their dedication and foresight allowed the industry to thrive and today farms are not only producing food for domestic markets, but also for markets around the world.

Evolution of the Ministry

While the province has experienced rapid change, so too has the Ministry of Agriculture and Rural Development. The Ministry has successfully evolved alongside the agriculture industry by responding to the sector's highs and lows, technological advances, and producer needs. The first Department of Agriculture was comprised of numerous functional areas, including vital statistics and public health, in addition to agriculture. This original grouping speaks to our founders' understanding of the importance of agriculture to overall health and wellness. Although the Ministry's composition has changed, our commitment to maintaining public health by enabling the production of high quality products remains untouched.

The first Ministry's role was that of a regulator, supporter, and informer, focused on guiding farmers and providing the information required to help farmers become competitive in what might have been an unfamiliar industry. Today, our core goal of helping farmers become competitive remains, only the method of achieving that objective has evolved. We have shifted to a stewardship role, focused on research, innovation, and helping farmers, entrepreneurs, and businesses gain access to markets. As part of our stewardship role, we are also helping our producers be profitable, diversify their crops and products, develop environmentally sustainable practices, and focus on value-added processing and manufacturing.

Global Reach

By working in tangent with producers and businesses, we have helped grow Alberta's founding industry into the province's largest renewable industry, generating more than $8 billion in exports last year. With the industry's rapid growth, we are experiencing a re-emergence of similar issues faced by the original Department of Agriculture. A rapid influx of settlers and increase in grain for shipment during 1906 created challenges for a new railway system that was still adjusting to meet demand. Today, we are once again faced with the challenge of transporting our commodities to market.

From the beginning, Alberta has been an export market, focused on meeting domestic and international demand for products. And while we are faced with similar challenges as our founding Ministry, we also share the same global perspective and desire to expand our export markets. Options to open Asian markets, as well as reach European markets more efficiently, were being explored in our founding years. Today we continue to look globally and are well positioned to gain a competitive advantage by identifying, pursuing, and developing markets for our high quality goods.

Our future success in the agriculture and food sector will be a result of our commitment to innovation and our desire to work in partnership with community leaders, industry, and the farmers whose business laid the foundation of our provincial economy.

Ministry Overview

Agriculture and Rural Development

Throughout the years, the Ministry has been known in many forms: Agriculture; Agriculture and Food; Agriculture, Food, and Rural Development; and currently, Agriculture and Rural Development. But no matter our title, our strong commitment to Albertans remains the same. Our Mission is to lead in the creation and transmission of knowledge and innovation; provide the frameworks and services necessary for Alberta's agriculture and food sector to excel; to assure the public of the quality and safety of their food; and, to lead the collaboration that enables resilient rural communities.

We work with industry and stakeholders to manage growth pressures, build a stronger Alberta, and improve Albertans' quality of life. Our primary focus is to help create opportunity, which we do by enhancing value-added activity, increasing research and innovation, and working closely with our key stakeholder groups through our extension work. We work with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry and vibrant rural communities.

Our Vision is to be a trusted partner of industry and stakeholders in enabling a competitive, sustainable agriculture and food sector and vibrant rural communities across Alberta. As such, the Ministry of Agriculture and Rural Development strives for the following outcomes in our work:

- a competitive self-reliant industry
- environmental stewardship
- farmed animal health and welfare, plant health, and safe food products
- a vibrant, resilient, and sustainable rural Alberta

Over the next decade and beyond, we will continue to assist industry and rural communities in seizing opportunities to reinforce economic competitiveness and build lasting prosperity, as well as reflect the interests of rural Albertans within the context of Alberta's overall social, economic, and environmental goals. In addition, we will continue to inspire confidence in the quality and safety of Alberta produced food and inform consumers about Alberta agriculture and food products.

In order to accomplish these goals, the Ministry works together through the following entities:

- Department of Agriculture and Rural Development
- Agriculture Financial Services Corporation
- Alberta Livestock and Meat Agency Ltd.
- Office of the Farmers' Advocate of Alberta
- Alberta Grains Council
- Agricultural Products Marketing Council
- Irrigation Council

A detailed description of each Ministry entity can be found in Appendix A, starting on page 41.

Further information about Ministry programs and services can be found at: ***www.agriculture.alberta.ca***.

The Ag-Info Centre is also available for additional information by calling toll-free in Alberta 310-FARM (3276).

Industry Overview and Outlook

Industry Success

Agriculture in Alberta continued to thrive over the past year with a number of important successes, including one of the largest crops on record, the second highest farm cash receipts on record, and an increase in the number of Albertans employed in the agri-food industry.

Alberta's 2013 agri-food industry experienced an increase in the number employed despite the challenge we identified in 2012 of recruiting and retaining employees with what is already the lowest unemployment rate in Canada. We are still faced with a gap in both the seasonal and non-seasonal workers required to support the agriculture industry in Canada and must continue to explore options to recruit and retain employees, and adopt technologies to improve productivity to meet industry needs.

Alberta's crop sector experienced significant successes with strong farm cash receipts fuelled by high crop market receipts and program payments. The crop sector also experienced exceptional crop production in 2013 with provincial average yields well above their 10-year averages. This increase can be attributed to record yields for nearly all crops.

Industry Challenges

Despite these notable achievements over the past fiscal year, Alberta's agriculture industry also faced significant challenges. Record crop production resulted in grain and commodity transportation delays; mandatory Country of Origin Labelling (mCOOL) legislation in the United States continued to be of concern; and international crop prices were down over the previous fiscal year.

The existence of mCOOL legislation in the United States has hurt Alberta's livestock industry by increasing costs unnecessarily on beef and pork. This past year, the revised rules further increased the existing impediment to livestock trade and increased production costs on both sides of the border. Going forward we will continue to partner with industry stakeholders, the federal government and provincial counterparts to determine viable solutions and advocate for legislative changes to current mCOOL rules.

Due to Alberta's record crop production, increased pressure was placed on railways and lengthy delays occurred in grain transportation. Looking forward, higher yields and innovative advancements could intensify commodity transportation concerns. We have partnered with provincial governments, industry leaders, and the federal government in an effort to determine short, medium, and long-term solutions to commodity transportation concerns and ensure Alberta producers can consistently and efficiently transport their products to market.

In 2013, Alberta's hog industry saw hog prices improve substantially after weathering low prices and a decline in sow herds in recent years. However, the hog industry has been affected by concerns over the Porcine Epidemic Diarrhea Virus (PEDv) as outbreaks have continued in the U.S. and the first Canadian instances of the virus surfaced in Ontario and Manitoba. Working in collaboration with partners, we have prepared strong biosecurity measures and an emergency preparedness and response plan to mitigate the introduction and protect against the occurrence of PEDv in Alberta's hog sector.

This past year, Southern Alberta and the Regional Municipality of Wood Buffalo experienced devastating floods that displaced over 100,000 people. To support ongoing recovery efforts, Agriculture Financial Services Corporation (AFSC) is coordinating the Alberta Flood Recovery Loan Guarantee Program, the Alberta Flood Recovery Interest Rebate Program, and the AFSC Alberta Flood Recovery Loan Program.

Global Perspective

Alberta's agri-food industry is export oriented. What occurs globally in terms of price fluctuations and import quantities can have an effect on the value of the primary commodities and value-added products that make up our agri-food industry. In 2013, international crop prices were down significantly over last fiscal year, returning to more average levels. The drop in prices can be attributed to strong global crop production stemming from yield recovery from the previous year's below-average levels. While crop prices decreased, the livestock sector experienced a year of strong prices.

The value of Alberta's total agri-food international exports declined from 2012 but remained the second highest on record and Alberta maintained its position as Canada's third largest exporter of agri-food products after Saskatchewan and Ontario. Exports to our primary market, the U.S., increased slightly over the previous year which helped to offset a reduction in exports to China and Japan. The drop in exports can be partly attributed to weak crop prices and reduced quantities of primary exports.

As an export oriented industry, we continued our efforts this year to target strategic markets for diversification and opportunity maximization. The Trans-Pacific Partnership (TPP) provides trade opportunities for Alberta's agri-food products by reducing barriers and increasing access to new Asian markets. The TPP will also provide increased access to its 12 participating nations, representing an opportunity to diversify export markets for Alberta products. This past year also saw Canada and the European Union reach political agreement on the key elements of the Comprehensive Economic and Trade Agreement (CETA) which will present both additional opportunities and challenges for Alberta's industry. Access to major markets, such as the European Union, can generate options for our agri-food industry, diversify our consumer base, increase international exports, and further reduce our reliance on the U.S.

Looking Forward

As one of the few jurisdictions positioned to be a net exporter of agri-food products over the next 20 years, Alberta's access to global markets is essential to maintain and enhance competitiveness. Throughout the past decade, the province has successfully diversified its export markets to reduce reliance on the U.S. marketplace. Going forward, Alberta is well situated to identify, pursue, and develop new and existing markets for the province's high quality commodities and value-added products. However, the agri-food industry's continued success will depend on the province's ability to capitalize on opportunities, address challenges, and respond to global trends that will impact food exports, including rapid economic growth in developing nations, increased population, changes in demand for food, and weather fluctuations.

Demand for agri-food products in developing economies is driven largely by growing populations, increasing household incomes, urbanization, and changing diets. These factors, along with the emergence of a growing middle class, are expected to impact global demand for high quality agricultural products. Emerging markets are likely to respond to changing demand by investing in their own agriculture sectors to narrow the productivity gap with advanced economies. Alberta is positioned to capitalize on this opportunity and supply a portion of the remaining production gap by developing niche products and markets. This new opportunity presents Alberta with the added challenge of increasing productivity and maintaining the quality of our products in the face of international competition.

Understanding both international and domestic consumers is critical for providing products that not only meet consumer demand, but also alleviate concerns over how food is produced and gain public trust. Domestically, shifting demographics and changing consumer preferences will continue to influence Alberta's agri-food industry. Consumers are increasingly demanding healthy, natural, organic, and locally produced products. Immigration patterns may also influence the demand for specific products. Both international and domestic consumers are placing increased weight and significance on sustainability and producers operating in humane, safe, and socially responsible ways. With consumers able to impact the success of products, it is increasingly important to respond to long-term consumer trends.

This past year presented many challenges and opportunities beyond the scope of our control. For each of these challenges, we demonstrated strategic foresight and our ability to collaborate with industry, provincial governments, and the federal government to ensure processes, programs, and plans were in place to minimize industry disruptions and capitalize on opportunities.

Alberta Agriculture and Agri-Food Industry

		2011	2012(p)	% Change
Annual Average Household Food Expenditure	Average Household Expenditure on Food (Dollars)	$8,512	$8,414	-1.2
	% of Total Average Household Expenditure	*9.8%*	*8.7%*	
		2012(r)	**2013(p)**	**% Change**
Real Gross Domestic Product (GDP) in 2007 Dollars	**Total Alberta Economy ($ Billions)**	**$278.80**	**$289.77**	**3.9**
	▪ Agri-Food Industries	$6.06	$6.81	12.3
	▪ Agriculture Industries	$3.77	$4.52	19.6
	▪ Food Manufacturing Industries	$2.29	$2.29	0.2
Employed Labour Force	Agri-Food Industries (Number of Persons)	75,900	89,700	18.2
	% of Total Alberta Employment	*3.5%*	*4.1%*	
	▪ Agriculture Industries	56,200	63,300	12.6
	▪ Food and Beverage Manufacturing Industries	19,700	26,400	34.0
	% of Total Manufacturing Industries	*14.2%*	*19.1%*	
Farm Income	**Total Farm Cash Receipts ($ Billions)**	**$11.94**	**$11.75**	**-1.5**
	▪ Crops	$6.49	$6.33	-2.5
	% of Total Cash Receipts	*54.4%*	*53.8%*	
	▪ Livestock and Livestock Products	$4.68	$4.73	1.2
	% of Total Cash Receipts	*39.2%*	*40.3%*	
	Supply Management (Dairy, Poultry and Eggs)	$0.85	$0.85	0.5
	% of Livestock and Livestock Products	*18.2%*	*18.0%*	
	▪ Direct Program Payments	$0.77	$0.69	-9.8
	% of Total Cash Receipts	*6.4%*	*5.9%*	
	Farm Operating Expenses (After Rebates and Before Depreciation) ($ Billions)	**$9.31**	**$9.38**	**0.8**
	Net Cash Farm Income ($ Billions) [1]	**$2.63**	**$2.37**	**-9.9**
	Realized Net Income ($ Billions) [1]	**$1.18**	**$0.85**	**-27.9**
	Total Net Income ($ Billions) [1]	**$0.66**	**$2.40**	**261.6**
Food and Beverage Manufacturing Industries Value of Sales	Food and Beverage Industries ($ Billions)	$11.31	$12.51	10.7
	% of Total Alberta Manufacturing Sales	*15.6%*	*17.0%*	
	Top Three Largest Food Manufacturing Sales Groups:			
	1. Meat Products	$4.75	$5.67	19.5
	2. Grain and Oilseed Milling	$1.77	$1.89	4.4
	3. Animal Food (Including Feed)	$0.82	$0.89	9.2
Agri-Food Exports to All Countries	**Total Agri-Food Exports ($ Billions)**	**$9.21**	**$8.75**	**-5.0**
	▪ Primary Commodities (Animals and Crops)	$5.53	$5.10	-7.7
	▪ Value Added Processed Products	$3.68	$3.64	-1.0
	Top Three Markets in 2013 (% Share of Total)			
	1. United States (35.2%)	$2.97	$3.08	3.8
	2. China (17.3%)	$1.65	$1.51	-8.2
	3. Japan (14.7%)	$1.34	$1.29	-4.2
	Exports to Trans-Pacific Partnership (TPP) Countries ($ Billions)	**$5.20**	**$5.14**	**-1.1**
Capital Investment Expenditures	Total Capital Investment - All Industries ($ Billions)	$102.37	$111.16	8.6
	▪ Agri-Food Industries	$1.50	$1.60	7.2
	▪ Agriculture Industries	$1.31	$1.40	7.6
	▪ Food and Beverage Manufacturing Industries	$0.19	$0.20	4.0
Production of Top Three Major Field Crops	**1. All Wheat (tonnes)**	**8,368,800**	**11,301,800**	**35.0**
	% of Canada	*30.8%*	*30.1%*	
	2. Canola (tonnes)	**5,097,200**	**5,998,800**	**17.7**
	% of Canada	*36.8%*	*33.4%*	
	3. Barley (tonnes)	**4,463,300**	**5,545,400**	**24.2**
	% of Canada	*55.7%*	*54.2%*	

		2012(r)	2013(p)	% Change
Meat Production Quantity	Beef - Western Canada [3] (tonnes)	731,565	740,932	1.3
	Pork - Alberta (tonnes)	221,248	212,039	-4.2
Number of Livestock Slaughtered [2]	Cattle and Calves - Western Canada [3] (Head)	2,015,877	2,035,537	1.0
	Hogs - Alberta (Head)	2,406,048	2,358,033	-2.0
		01/01/2013(r)	01/01/2014(p)	
Livestock Inventory on Farms on January 1st	Cattle and Calves (Head)	5,060,000	5,085,000	0.5
	% of Canada	*41.1%*	*41.6%*	
	Hogs (Head)	1,400,000	1,425,000	1.8
	% of Canada	*11.1%*	*11.2%*	
	Sheep and Lambs (Head)	158,000	159,000	0.6
	% of Canada	*17.5%*	*17.8%*	

Census of Agriculture - Alberta		2006	2011	% Change
Rural Population	**Total Population of Alberta**	**3,290,350**	**3,645,257**	**10.8**
	• Rural Population	590,499	614,855	4.1
	% of Total Population	*17.9%*	*16.9%*	
	• Population Centres (Urban) Population	2,699,851	3,030,402	12.2
Number of Farms	Number of Farms	49,431	43,294	-12.5
	% of Canada	*21.6%*	*21.0%*	
Farmland Area	Total Farmland Area (Acres)	52,127,857	50,498,834	-3.1
	% of Canada	*31.2%*	*31.5%*	
Land Area in Crops	Land Area in Crops (Acres)	23,775,509	24,102,289	1.4
	% of Canada	*26.8%*	*27.6%*	
Average Farm Size	Average Farm Size (Acres)	1,055	1,168	10.7
Farm Operators	**Number of Farm Operators**	**71,560**	**62,050**	**-13.4**
	• Average Age of Farm Operators	52.2 years	54.5 years	
	% Distribution By Age Groups:			
	• *Under 35 years*	*8.8%*	*7.3%*	
	• *35 to 54 years*	*50.1%*	*43.1%*	
	• *55 years and over*	*41.1%*	*49.6%*	
Farms by Type [4]	**Top Five Farm Types (Number of Farms):**			
	1. Grain and Oilseed	12,562	12,692	1.0
	2. Beef Cattle (Including Feedlots)	20,494	12,022	-41.3
	3. Other Crops (Excluding Grain and Oilseed)	5,361	9,385	75.1
	4. Other Animals (Excluding Beef Cattle)	7,414	6,374	-14.0
	5. Greenhouse, Nursery, Floriculture and Mushroom	910	826	-9.2
Farms by Sales Class [5]	*% of Total Number of Farms:*			
	• *Under $10,000*	*19.8%*	*17.8%*	
	• *$10,000 to $24,999*	*17.6%*	*18.2%*	
	• *$25,000 to $99,999*	*29.6%*	*27.7%*	
	• *$100,000 to $499,999*	*26.6%*	*26.0%*	
	• *$500,000 and Over*	*6.4%*	*10.3%*	
Land Area Seeded Using No-Till Practices	**Total Land Area Prepared for Seeding (Acres)**	**18,726,144**	**19,945,813**	6.5
	• No-Till or Zero-Till Seeding Area	8,950,836	12,924,625	44.4
	% of Total Land Area Prepared for Seeding	*47.8%*	*64.8%*	
Irrigation Area	Irrigated Farmland (Acres)	1,325,929	1,241,411	-6.4
	% of Canada	*63.5%*	*65.2%*	

(1) Estimates prepared by Alberta Agriculture and Rural Development.

(2) Federally and provincially inspected slaughter irrespective of origin.

(3) Western Canada data only; breakdown for Alberta are unavailable.

(4) Farms are classified by the commodity or groups of commodities that make up the majority of total farm cash receipts; based on the North American Industry Classification System (NAICS).

(5) Farms are classified by gross farm cash receipts and are based on the calendar year that precedes the corresponding Census of Agriculture.

r - revised p - preliminary, subject to revision

Note: Per cent changes shown are based on unrounded data.

Note: Data shown in this table are current as of June 16, 2014.

Note: For more detailed information, please go to the following link for the "Alberta Agriculture Statistics Yearbook, 2012": http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex14509

Sources: Statistics Canada, Agriculture and Rural Development; Agriculture and Agri-Food Canada; Census data for 2006 and 2011 are from the Census of Population and Census of Agriculture.

RESULTS ANALYSIS

AUDITOR GENERAL *Alberta*

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as reviewed by the Office of the Auditor General in the Ministry of Agriculture and Rural Development's Annual Report 2013-2014. The reviewed performance measures are the responsibility of the ministry and are prepared based on the following criteria:

- Reliability - The information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability - The performance measure methodologies and results are presented clearly.
- Comparability - The methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness - The goals, performance measures and related targets match those included in the ministry's budget 2013.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measures in demonstrating ministry progress towards the related goals.

Based on my review, nothing has come to my attention that causes me to believe that the performance measures identified as reviewed by the Office of the Auditor General in the ministry's annual report 2013-2014 are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 20, 2014

Edmonton, Alberta

Performance measures reviewed by the Office of the Auditor General are noted with an asterisk (*) on the Performance Measures Summary Table

Performance Measures Summary Table

Performance Measures		Prior Year's Results				Target	Current Actual
Goal 1: A competitive self-reliant industry							
1.a:	Number of value-added products developed and successfully introduced into market with assistance from Agriculture and Rural Development	71 (2009-10)	90 (2010-11)	157 (2011-12)	216 (2012-13)	**140**	217 (2013-14)
1.b:*	Research and development investment by collaborators leveraged through ministry resources ($ million)	11.1 (2009-10)	7.4 (2010-11)	6.2 (2011-12)	6.4 (2012-13)	**6.4**	4.8 (2013-14)
1.c:*	Percentage of eligible seeded acres for major crop categories insured under Production Insurance:						
	▪ Annual crops	71%	73%	73%	75%	**77%**	77%
	▪ Perennial crops	24% (2009)	28% (2010)	23% (2011)	28% (2012)	**27%**	26% (2013)
Goal 2: Environmental stewardship							
2.a:	Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey)	n/a (2009-10)	n/a (2010-11)	55% (2011-12)	n/a (2012-13)	**56%**	56% (2013-14)
Goal 3: Farmed animal health and welfare, plant health, and safe food products							
3.a:	Percentage of Alberta-licensed meat processing facilities that have added a preventative system to their existing food safety system	n/a (2009)	86% (2010)	88% (2011)	91% (2012)	**89%**	94% (2013)
3.b:	Number of Alberta food processing facilities participating in the Alberta Hazard Analysis Critical Control Point (HACCP) Advantage Program	50 (2009-10)	53 (2010-11)	34 (2011-12)	45 (2012-13)	**36**	45 (2013-14)
Goal 4: A vibrant, resilient and sustainable rural Alberta							
4.a:*	Total investment leveraged in rural businesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services ($ million)	565 (2009-10)	640 (2010-11)	658 (2011-12)	663 (2012-13)	**647**	644 (2013-14)
4.b:	Percentage of ministry-supported, agricultural-related community activities that focus on leadership development	31% (2009-10)	33% (2010-11)	29% (2011-12)	35% (2012-13)	**30%**	34% (2013-14)
4.c:	Percentage of rural youth and adults participating in ministry-supported programs that report effective learning from those programs	n/a (2009-10)	95% (2010-11)	95% (2011-12)	92% (2012-13)	**95%**	94% (2013-14)

* Indicates Performance Measures that have been reviewed by the Office of the Auditor General. These were selected for review by Ministry management based on the following criteria established by government:

1. Enduring measures that best represent the goal,
2. Measures for which new data is available,
3. Measures that have well established methodology.

All notes regarding these measures appear under the corresponding goal in this report.

Further information on performance measures methodology, including data sources and limitations, can be found in Appendix B starting on page 45.

Discussion and Analysis of Results

Financial Results of Operations

Expense by Function

All Ministry Expenses, with the exception of debt servicing costs, are reported under the Government of Alberta function: Agriculture, Resource Management and Economic Development.

Revenue

Ministry revenue was $817 million, $78 million higher than 2012-13 and $39 million higher than budget.

Compared to 2012-13 Actual

Higher revenues from the previous year are mainly due to increases in AgriInsurance premiums, Spring Price Endorsement premiums and federal contributions as a result of higher commodity prices. Increased participation in Livestock Insurance also contributed to the increase in 2013-14 revenues.

Compared to Budget 2013

Higher revenues compared to budget are primarily due to higher AgriInsurance premiums, increased participation in Livestock Insurance and higher Spring Price Endorsement premiums. This is partially offset by reduced AgriStability federal contributions due to strong crop conditions and commodity prices and lower investment income as a result of unscheduled loan repayments.

Expense

Ministry expense was $861 million. Insurance and agriculture income support accounted for $506 million or 59 per cent of total expense.

Compared to 2012-13 Actual

Total expense was $374 million lower than 2012-13.

- Indemnity expenses for crop, hail, and livestock insurance were $283 million lower than the previous year due to high yields, good crop quality, fewer severe hail storms, and strong cattle prices.
- Expenses for agriculture income support were $39 million lower than previous years mainly due to the *Growing Forward 2* AgriStability program changes.
- The Farm Fuel Distribution Allowance was discontinued in Budget 2013 which resulted in $35 million lower expenses in the current year.
- Lending expenses also decreased by $15 million as a result of more favourable economic conditions in 2013-14.

Compared to Budget 2013

Total expense was nearly $100 million lower than budget.

- Expenses for agriculture income support were $67 million lower than budget as a result of strong crop quality and higher priced commodities.
- Favorable economic conditions also contributed to $15 million decrease in lending expenses as compared to budget.
- Debt servicing costs were $7 million lower than budget due to lower interest rates.

GOAL 1: A competitive self-reliant industry

What this means:
An industry that maintains or grows domestic and international market share, successfully introduces new products into the market, expands value-added processing, and becomes more profitable from the market place. This goal recognizes the importance of policy, advocacy, programs, and services in creating a conducive business environment to reinforce and promote the economic competitiveness of Alberta's agriculture industry.

Why this is important:
The long-term viability and prosperity of the industry is dependent on being competitive and profitable in the market place. Fiscal constraints and rising competition for public funds will continue to put pressures on the agriculture industry to become self-reliant. A growing and prosperous agriculture industry will continue to make significant contributions to the provincial economy and well-being (GDP, employment, economic diversification, and rural development).

How we support this:
In support of this goal, we deliver targeted extension programs and services, evidence-based information and innovative business tools to encourage industry adoption of best practices. We promote the development and commercialization of new products to improve the competitiveness, profitability, and growth of the industry. We work with our clients along a continuum of growth from applied research, product development and commercialization through to helping them to become active exporters and attract investment from key sources around the world. We develop policies and administer enabling legislation and regulations aimed at creating a stable and secure business environment. We work with the federal government and other provinces to develop and implement the national *Growing Forward 2* framework. We work with the federal government and industry stakeholders to improve access to international markets for Alberta's agricultural products. Through the building of networks with international governments and industry, we increase Alberta's access to international markets and attract investment. We develop programs that encourage worker recruitment, retention, and productivity. We collaborate with partners and stakeholders to implement key actions that contribute to Alberta's economic prosperity.

Key Highlights and Considerations from 2013-14

- **Grain Transportation:**
  The successful transportation of grain and other commodities to domestic and international markets is essential to maintain the competitiveness of Alberta's agriculture industry. Complications arose this fiscal year with one of the largest crops on record resulting in transportation delays. To address this delay, and ensure Alberta continues to meet market demand for agri-food products, we have joined with the federal government, provincial partners, and industry to engage stakeholders and recommend viable solutions in the short, medium and long-term to current commodity transportation and rail logistics issues.

- **Trade Advocacy:**
  A targeted approach to trade advocacy was undertaken in an effort to end mandatory Country of Origin Labelling (mCOOL) in the United States and mitigate its negative impact on Alberta's meat and livestock industry. With this aim in mind, we supported a resolution calling for modifications to current legislation and met with North American meat producers to discuss the impacts of mCOOL and advocate for its repeal. The repeal of mCOOL legislation and the continuation of stable relations with the U.S. will ensure Alberta's agricultural industry remains competitive. We

will continue to advocate for changes in association with government partners and industry stakeholders.

- **New Export Opportunities:**
  In order to enhance sustainability and increase industry competitiveness, we undertook activities to access, develop, and expand key markets and advance export opportunities. As part of these essential activities, we facilitated initial discussions between the Japanese Ministry of Health and Labour and Welfare and the Canadian Food Inspection Agency, which ultimately culminated in changed import regulations. Building on our success, we then assisted with the development of a pork sausage product created specifically for the Japanese market. The first order was shipped in June 2013 and demonstrates the Ministry's important role in exploring global export opportunities. We will continue to pursue new opportunities for Alberta products going forward.

- **New Product Development:**
  As part of our commitment to stimulate industry growth and improve the competitiveness of Alberta's agriculture industry, we supported provincial value-added production capabilities and the development and commercialization of new crop varieties. One example is the support we provided in the creation and commercialization of a high yielding barley matched to the agronomic conditions found in Western Canada. The barley variety, termed Bentley, has been listed on the Recommended Malting Barley Varieties List for 2014-15 by the Canadian Malting Barley Technical Centre. This new barley variety has great potential in the food barley market for distilled beverages such as shochu (a Japanese beverage) because of its excellent pearling properties, starch content, glucose elution rate, and alcohol yields. The successful listing sends signals to producers and industry that Bentley is an emerging variety for the malting and brewing industry, both nationally and internationally.

Additional Results and Ongoing Contributions

Additional results and ongoing contributions of the Ministry toward achieving our goal of a competitive self-reliant industry include:

1. Continued to develop and expand international markets for Alberta's products by leading advocacy and market development activities in key markets, including the U.S., China, Mexico, Southeast Asia, the Middle East, Japan, South Korea, the European Union, Russia, India, and Kazakhstan. As a result of these activities, we were able to create and renew strategic Memoranda of Understanding that will enable collaboration opportunities and increase the value of export sales. We also undertook activities to increase interest in Alberta export capabilities and improve product awareness by profiling the diverse products and services Alberta has available. We will continue to market Alberta's products and develop markets to maintain Alberta's global competitiveness.
2. Continued to help create the environment necessary for Albertans to develop high quality products through programs offered at the Food Processing Development Centre, the Agri-value Processing Business Incubator, and the Field Crop Development Centre. Each program showcases our commitment to utilizing innovation for the development of new crops and value-added products for domestic and international markets.
3. Provided support for investment attraction activities and enabled international investment by facilitating the introduction of Alberta firms to international investors, servicing new investment leads from companies interested in establishing an Albertan presence, and partnering with stakeholders to expand existing agri-businesses. By researching market needs and consumer

trends, we will continue to tailor investment attraction activities to individual markets going forward.

4. Continued to develop and adopt innovative technology by partnering with industry, academia, and the federal government as part of a cross disciplinary team to deliver a world-leading five year cattle research project, termed "Application of next generation genomic tools in beef: Addressing the phonemic gap." The project has resulted in a phenotype-genotype data base, the validation of commercial markers, and improved accuracy of genomically enhanced breeding values (GEBVs). The data base work completed to date has become an invaluable resource to the Canadian Cattle Genomics Project and will help the Canadian cattle industry apply genomic technology. Additionally, we are also providing $5 million for Genome Alberta through Alberta Livestock and Meat Agency Ltd. (ALMA). Our support has fostered the completion of work to improve the accuracy of GEBVs for valued traits and improved herd selection, providing the Canadian and Alberta beef industries with a competitive advantage.
5. Continued to implement initiatives as part of the five-year ***Growing Forward 2*** agreement with the federal government that support the long-term growth, sustainability, and competitiveness of our agriculture sector. The Agreement provided more than $400 million to support research and innovation, business and market development, food safety, farm safety, and environmental stewardship.
6. Continued to support the bioenergy, biomaterial, and biochemical industries in the development of business. This support has helped five commercial processing companies successfully launch or expand their commercial operations and contributed to the overall growth and success of the Alberta bio-economy. Going forward, we will continue to provide the supports required for industry to expand, improve efficiency, and remain competitive.
7. Continued to provide support for learning and education opportunities in agriculture with the creation of an Alberta Excellence in Agriculture Scholarship. Funds from the now dissolved Wheat Board Money Trust have been utilized by Alberta Scholarship Programs to administer the scholarship to two individuals each year. The fund aims to encourage academic excellence in a discipline related to agriculture and develop expertise in our next generation of agriculture leaders.
8. Continued engagement with stakeholders at the local, national, and international level through ALMA to establish new partnerships and maintain stable relationships. Healthy relationships generate value and opportunities to collaborate in Alberta's agriculture sector. Additionally ALMA collaborated with industry, Western Economic Diversification, and post-secondary institutions to develop an animal nutrition and ingredient development program. The program will help increase the productivity and competitiveness of the Western Canadian pet food industry, develop innovative products, enhance food safety, expand both domestic and international markets, and enhance opportunities for Canadian crop and livestock industries to market their products as ingredients.
9. Continued to support initiatives, through the Agricultural Products Marketing Council, to build the leadership and governance capacity within agricultural marketing boards and commissions, and other agriculture-related organizations. Additionally, work was conducted to complete required regulatory reviews and industry initiated amendments. By ensuring regulations are current and relevant, and building leadership capacity, we are helping empower boards and commissions to support the agriculture industry in Alberta.

Performance Measure:

1a. Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development.

Desired Trend in Results:

An increase in the number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development.

Results:

				Year Ending March 31
Actual 2009-2010	Actual 2010-2011	Actual 2011-2012	Actual 2012-2013	Actual 2013-2014
71	90	157	216	**217**

Source: Agriculture and Rural Development

Discussion of Results:

This measure tracks the number of value-added products developed and successfully introduced to market with support from Agriculture and Rural Development staff. Our staff facilitate new and diversified product development and commercialization and influence the development of value-added products through the provision of science, technical, and business development expertise. Our team of experts combine business knowledge with technical expertise to guide producers and agri-processors looking to market new value-added products for the first time. Value-added processing of agriculture commodities is facilitated using laboratory and pilot plant facilities at the Food Processing Development Centre, the Consumer Product Testing Centre, the Food Science and Technology Centre-Brooks, and the Agri-Value Processing Business Incubator.

In 2013-14, a total of 217 new value-added products were developed and successfully introduced to market with our assistance. These services address industry demands and shifting consumer trends in health, nutrition, convenience, and packaging, thereby assisting with product success in a changing marketplace. The products focus on broad range niche market areas with significant growth potential, such as gluten-free bakery products and ready-to-eat healthy products, and are available to consumers across Canada through specialty retail and hotel segments. The services we provide help start-up companies reduce the risk of product development and commercialization, enabling increased investment in the agri-value processing sector in Alberta. The reported result is significant and can be attributed to the tremendous success of the Growing Forward agreement, which provided grants to develop and commercialize over 80 per cent of these new value-added products.

Results for this measure have been trending upward for the past five years, which may be due to agri-processors cutting back on reformulating existing products and leveraging our resources to develop new products for domestic and international markets. The upward trend in the 2013-14 result is also directly related to the success of the previous Growing Forward agreement, which served as an important catalyst over the past five years through the product and market development programs. Similar trends in results are anticipated due to our continued strategic programs on product development and market development. However, future performance may vary due to the length of time it takes to successfully launch new products and may take several months after new product development work is completed. It typically takes 18 months to two years for a product to develop from concept to commercialization. As such, the targets and actuals represent only our assisted product development and commercialization activities as opposed to a full picture of product development activity in Alberta.

Performance Measure:

1b. Research and development investment by collaborators leveraged through ministry resources ($ million).

Desired Trend in Results:

Increased research and development investment by collaborators leveraged through ministry resources.

Results:

			Year Ending March 31	
Actual 2009-2010	Actual 2010-2011	Actual 2011-2012	Actual 2012-2013	Actual 2013-2014
11.1	7.4	6.2	6.4	**4.8**

Source: Agriculture and Rural Development

Discussion of Results:

This measure tracks the amount of funds leveraged from outside sources and provides an indication of our success in building partnerships with external collaborators. External collaborators include industry organizations, producer groups, private companies, universities, government departments and agencies. We collaborate with agri-food industries to perform research and development because businesses are ideally positioned to understand their needs and to foresee opportunities. The research and development projects covered under this measure fall into four primary areas: value-added processing, livestock development, crop diversification, and environmental sustainability. Targeted and proactive research and development projects are conducted to generate information, technology, and innovative solutions to problems that enable industry to better address production and/or processing-related issues and capitalize on market opportunities. The resources we devote to research and development projects are leveraged through financial contributions from collaborators.

In 2013-14, we collaborated with industry in conducting 83 research and development projects, leveraging $4.8 million in finding innovative solutions to problems encountered by primary agricultural production and the value-added processing sector. The projects focused on: finding technology-based solutions to product development; improvement in production in lean manufacturing technologies; efficiency in processing plants; innovative approaches for addressing environmental issues; cost effective approaches for feeding livestock; new crop varieties; and, improvements in crop varieties yields and yield stability.

The reported result of $4.8 million is 25 per cent below both the forecasted target and the prior year's result of $6.4 million, which is primarily due to the completion of major external-funded projects that evaluated the environmental effectiveness of nutrient management practices in Alberta agricultural watersheds and developed an agricultural-based carbon protocol for Alberta. Projects of this magnitude are not likely to be repeated in the next three years.

We have increasingly been focusing on knowledge transfer and commercialization opportunities of our funded research projects, so future performance results will be affected by the mix of our resources that are dedicated to basic research versus knowledge transfer and commercialization efforts. While we desire incremental growth in resources from agri-industry that are dedicated to research and development, there is recognition that we have limited influence in the amount of research funding from external sources. Given continuous shifts in resource allocation to

address unforeseen circumstances and/or new priorities, the amount expended for research and development can undergo significant fluctuations.

Performance Measure:

1c. Percentage of eligible seeded acres for major crop categories insured under Production Insurance (Annual and Perennial crops).

Desired Trend in Results:

- Annual crops – Continuous increase in the percentage of eligible seeded acres of annual crops in Alberta insured under Production Insurance.
- Perennial crops – Continuous increase in the percentage of eligible seeded acres of perennial crops in Alberta insured under Production Insurance.

Results:

Year Ending December 31

	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Last Actual 2013
Annual crops	71%	73%	73%	75%	**77%**
Perennial crops	24%	28%	23%	28%	**26%**

Source: Statistics Canada; Agricultural Financial Services Corporation (AFSC)

Discussion of Results:

This measure indicates our success in providing customized insurance products to producers, based on individual producer risk preference. The Agriculture Financial Services Corporation (AFSC) provides a wide variety of risk management products and financial services to fit the business needs of producers, the agriculture industry, and small businesses in Alberta. AFSC delivers the federal/provincial AgriStability Program, a whole-farm program that provides compensation for the decline in farm margins relative to historical margins for eligible producers, regardless of the commodities they produce. AFSC also offers agriculture financial services such as farm loans and guarantees for new and expanding farm businesses, in addition to financing for those facing disastrous reductions in farm production or income.

Production Insurance (AgriInsurance) mitigates the effects of unstable production for Alberta producers. In the 2013 calendar year, production insurance claims for annual crops (including hail endorsement) totalled $257.4 million and claims for perennial crops totaled $4.5 million.

The percentage of annual crops insured under Production Insurance has been trending upward due to the high financial risk involved in crop production, high input costs, and commodity prices. In 2013, nearly 77 per cent of all eligible perennial crops had some coverage under Production Insurance. This result is close to the maximum (80 per cent) that could be expected to be insured, because some operations (such as Hutterites) will not insure due to religious beliefs, smaller farmers and a small percentage of larger farmers self-insure, and some farmers are not eligible to insure due to outstanding premiums and fraud. Producers maintain a high coverage level of insurance for annual crops as unfavourable growing or moisture conditions may result in a total loss of crops/harvest.

The percentage of perennial crops covered under Production Insurance has been more variable over the past few years, which is likely related to good growing conditions and reduced loss experience. In 2013, nearly 26 per cent of all eligible perennial crops had some coverage under Production

Insurance. This is simply a result of having an increased hay supply in prior years. The 2012 year happened to be a good one for hay producers and resulted in an increased carry-over of hay and other feed supplies. Typically AFSC sells more insurance on perennial crops when the feed supply for producers is decreased.

Results demonstrate that production insurance continues to be viewed as an important risk management tool for Alberta producers, with 14.7 million acres and $4.3 billion in risk insured on annual crops, and seven million acres and $95 million in risk insured on perennial crops. We will continue to offer a variety of risk management tools to meet the diversity of individual producer risk preferences. By having a strong selection of choices, backed by sound financial management practices, Alberta producers are better protected against the risks of production, and are better able to be positioned for future success and sustainability.

GOAL 2: Environmental Stewardship

What this means:

This goal is directed at exploring and implementing environmentally responsive solutions that enable the agricultural sector to increase water use efficiency, minimize its environmental footprint, and promote competitiveness.

Why this is important:

The agriculture and food sector is influenced by environmental issues and increasing public awareness and pressure for the effective management of air, land, and water resources. The policy responses undertaken by domestic and international governments on these issues stand to impact the overall competitiveness of the agriculture sector and access to international markets.

How we support this:

We collaborate with all levels of government to develop integrated environmental policy and continue to facilitate the adoption of beneficial management practices that protect or enhance the environment and define and meet climate change, land use, air, and water objectives. Through our work with industry and government partners, we explore environmentally responsive solutions that promote competitiveness and build on opportunities that manage risks, address public concerns, and improve efficiencies. We facilitate and encourage the discovery, dissemination, and adoption of agricultural best practices and innovative research that can improve productivity while protecting Alberta's natural environment.

Key Highlights and Considerations from 2013-14

- **Water Quality:**
  Our ongoing commitment to assess water quality for agriculture use, and to examine the effects of agriculture on water quality, has led to the initiation of the Alberta Phosphorus Watershed project. In collaboration with industry, we began to develop and test a risk based tool to minimize phosphorus losses from agriculture lands. Water quality advancements for the agriculture sector will help to maintain the quality of the province's resources, ensure industry competitiveness, and increase Alberta's social license to operate.

- **Alberta's Irrigation Strategy:**
  The completion of Alberta's Irrigation Strategy required a collaborative approach with irrigation districts, municipal and federal governments, and individual farm operators to determine the most effective environmental policy tactics for Alberta. Going forward, we will lead the implementation of productivity, efficiency, conservation, water supply, and environmental stewardship recommendations stemming from the Irrigation Strategy as part of our support for provincial economic, environment, and conservation targets.

Additional Results and Ongoing Contributions

Additional results and ongoing contributions of the Ministry toward achieving our goal of environmental stewardship include:

1. Continued to support research projects stemming from targeted initiatives such as the On Farm Water Supply, Irrigation Efficiency, and Sustainability Call. These, along with similar initiatives, received almost $4 million in funding to explore sustainable production practices for

the agricultural sector. The continued pursuit of improved ecological practices will preserve the environment and ensure agriculture remains a viable industry in the province.

2. Continued engagement in the Land-Use Framework (LUF) processes as mandated by provincial legislation. As one of the core ministries involved in the drafting of the South Saskatchewan Regional Plan (SSRP), we organized and conducted engagement sessions with industry stakeholder groups to distill information, gather feedback, and ensure stakeholder concerns and perspectives were incorporated into the document. We will continue to work with other ministries to ensure that agricultural perspectives, concerns, input, and opportunities are properly reflected in LUF–related policy decisions.
3. Continued to coordinate the Environmental Farm Plan (EFP) program, with an additional 173 EFPs being completed. The program's broad objectives are focused on sustaining production, managing risks, providing a healthy landscape for the next generation, and maintaining market access. This year the EFP program targeted agriculture service boards, applied research associations, and the Applied Research and Extension Council of Alberta to assist in the delivery of services to producers.
4. Continued to conduct research and demonstrate innovative techniques to improve the quality of Alberta's water supply and increase agriculture's social license to operate. Activities included the continuation of research examining the potential risks of manure management activities on groundwater quality and improving the methodology for assessing fecal contamination of surface water. This fiscal year marks the completion of the third year in a five-year evaluation project examining the quality of water in Alberta's irrigation districts for irrigation, livestock watering, recreational-use and the protection of aquatic life. Work was also conducted on the Nutrient Beneficial Management Practices Evaluation Project final report, which will be completed December 2014.
5. Continued to provide support to better understand Alberta's agri-food industry. Activities conducted to achieve this goal include utilizing the Life Cycle Assessment to create cradle-to-farm gate environmental footprints on four major commodities: canola, chicken, egg, and potato. For each commodity, we developed benchmarks with the goal of improving the documentation and reporting processes associated with assessing environmental performance. We also supported opportunities for agriculture producers to further their knowledge by participating in the Alberta Regulated Carbon Offset Market using Agriculture Greenhouse Gas (GHG) to implement environmental improvements.
6. Continued to support the research required to reduce greenhouse gas and ammonia emissions, and enable producers to enhance nutrient use while mitigating nutrient losses. Activities conducted to support this objective required collaboration with post-secondary institutions in order to complete research and demonstrate innovative techniques for managing manure land applications. We also implemented air quality extension and outreach programs to encourage the transfer of information to Alberta's livestock industry.
7. Provided support for environmental resource management and innovation initiatives under the ***Growing Forward 2*** agreement. These initiatives allow producers to adopt technologies and practices that improve efficiencies and the environmental performance of farms.
8. Continued to participate in collaborative efforts with industry and post-secondary institutions through ALMA to inform future policy development. This fiscal year we supported work to assess water quality, microbial risks, and water pathogens in Alberta's rural drinking water supply and an economic, social, and environmental sustainability assessment of the Canadian beef industry.

Performance Measure:

2a. Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey).

Desired Trend in Results:

An increase in the percentage of improved environmentally sustainable agriculture practices adopted by producers.

Results:

				Year Ending March 31
Actual 2009-2010	Actual 2010-2011	Actual 2011-2012	Actual 2012-2013	Actual 2013-2014
n/a	n/a	55%	n/a	**56%**

Source: Agriculture and Rural Development (Environmentally Sustainable Agriculture Tracking Survey)

Notes: The results prior to 2011-2012 are not comparable and reported as not applicable because the number of environmental practices tracked under this measure has been revised. In addition, the result for 2012-2013 is not applicable as the survey is completed every second year.

Discussion of Results:

This measure tracks the level of adoption of eligible environmentally sustainable agriculture practices by primary producers seeking to improve environmental stewardship on their farming operations. The public continues to be increasingly aware of potential environmental issues and the effects of crop and livestock production on soil, water, air, and biodiversity, and the need for the effective management of these resources. We play an important role in working with industry and government partners to implement innovative, environmentally-responsive solutions that enable producers to be environmentally responsible and competitive.

The Environmental Sustainable Agriculture Tracking survey is a unique-to-Alberta performance measurement initiative used to inform decision making related to our environmental programs on nutrient management, grazing, soil, water management, and energy use. This biennial survey was last completed in the 2013-14 fiscal year, and tracks the voluntary adoption of 41 key environmentally sustainable agriculture practices by Alberta producers within eight agri-environmental risk areas: manure management; water quality and quantity; wildlife habitat conservation; grazing management; general practices; agriculture waste management; energy and climate change; and soil conservation.

The average percentage of adoption for the 41 key environmentally sustainable agriculture practices by producers was 56 per cent, though there is variation in the level of adoption of environmental practices across the eight agri-environmental risk areas. Higher levels of adoption (75 per cent) of applicable environmentally sustainable agriculture practices were used to address manure management, and water quality and quantity issues. In contrast, less than 25 per cent of applicable environmental practices were adopted to address environmental risks associated with soil conservation, agricultural waste management, and energy and climate change. This is possibly due to regional variability in environmental conditions, limited rural agricultural product disposal sites, lower awareness of new energy technologies, and the still-in-development carbon trading market for producers. When averaging the eight levels of adoption together, these lower results tend to bring the overall result down, which in itself does not reflect the true environmental stewardship of producers at the farm level. These individual results in the survey provide a source of information for guiding current and future agri-environmental programming, policies, and regulations.

To help increase producer awareness of environmentally sustainable agricultural practices, we have undertaken initiatives in: delivering research and programming to increase understanding and adoption of environmentally sustainable agriculture practices; providing multiple extension resources, activities, and programs addressing those environmentally sustainable agriculture practices; collaborating with agriculture commodity associations to determine best approaches of measuring cumulative effects of agri-environmental risks and performance; providing incentive-based programming; and, exploring alternative approaches of delivering customized information to producers.

GOAL 3: Farmed animal health and welfare, plant health, and safe food products

What this means:

By facilitating excellence throughout the food production and processing system, the food industry can assure the quality and safety of Alberta products and food production practices, thereby improving market access and protecting public health.

Why this is important:

Consumers are not only concerned about where their food is coming from, but also how it is produced, the welfare and treatment of animals, and the impact of production practices on human health. In order to reduce risk and create a competitive advantage in maintaining and expanding markets, Alberta must have an impeccable reputation for excellence in food safety, plant health, and farmed animal health and welfare. The development and application of excellent systems assure the quality and safety of food produced and processed in Alberta and supports Alberta's culture of continuous improvement in farmed animal health and welfare.

How we support this:

We ensure that policies, standards, legislation, and regulations align to support farmed animal health and welfare, plant health, and safe food production. We also contribute to the development and implementation of national and provincial food safety and farmed animal health and welfare strategies and initiatives. We support industry with science-based information that demonstrates the soundness of current practices and encourages industry's adoption of internationally accepted food safety and traceability systems and standards through legislation, regulations, research, education, awareness, and demonstration projects. We collaborate and engage with other orders of government and industry to provide assurance of the effectiveness on industry's food safety system through research, inspections, audits, and ongoing surveillance.

Key Highlights and Considerations from 2013-14

- **Emergency Preparedness and Response:**
  A successful response to the spread of animal diseases such as Porcine Epidemic Diarrhea (PED) is complex and requires a collaborative, coordinated response. Working in partnership with Alberta Pork, provincial veterinarians, and the rest of the pork industry, we developed and exercised a PED Response Plan designed to prepare the province for an effective response to this disease. To further prepare Alberta's industry, we have collaborated with Alberta Pork to conduct a PED surveillance project in the province, which utilizes the scientific expertise and recommendations of our staff, communicates with stakeholders, and continues to test samples for PED. Our province's strong biosecurity measures have, to date, been successful in safeguarding our swineherds against the occurrence of PED.

  Our preparaton for all animal incursions will help to reduce the impact of disasters in Alberta's agrifood industry. One example of these preparations is the three day disease simulation we hosted with partners from Alberta Pork and the Canadian Food Inspection Agency to practice our response to a major animal disease.

  The federal government supported ***Growing Forward 2*** agreement provided funding for the livestock industry to counteract disease by developing and implementing an integrated strategy to shield against several diseases. Having a response prepared for animal health and welfare emergencies will minimize the impact of a disaster.

- **Integrated Food Safety Systems:**
  To ensure policies align and government continues to maintain best practices and appropriate oversight in the production of safe food, we have collaborated with Alberta Health and Alberta Health Services in the development of an Integrated Food Safety Work Plan. The Work Plan outlines the coordinated activities required to enhance administrative processes in food safety by improving the integration of inspection and reporting processes across the two ministries. Additionally, the Work Plan will address the Auditor General's recommendation calling for Agriculture and Rural Development and Alberta Health to improve their integrated food safety planning and eliminate gaps in food safety coverage. We are utilizing a collaborate approach to effectively enhance safety standards in the province and strive for continuous improvement.

Additional Results and Ongoing Contributions

Additional results and ongoing contributions of the Ministry toward achieving our goal of farmed animal health and welfare, plant health, and safe food products include:

1. Provided leadership under the ***Growing Forward 2*** Traceability Technology Adoption Agreement by participating in the Radio Frequency Identification (RFID) Technology Adoption Program, which aims to encourage the utilization of RFID technologies in the beef industry with the goal of improving animal identification and herd management. By adopting this innovative technology, the integrity of Alberta's traceability system will be improved, leading to increased quality in the province's animal health, public health, and food safety standards.
2. Continued to provide relevant information and the support necessary to improve animal health and public safety legislation. We assisted Cabinet as they elected to change minimum containment standards for wild boars under the ***Agriculture Pest Act*** by working with industry stakeholders to develop containment standards and an action plan. Improved standards were necessary to address the issue of wild boars escaping captivity. As wild boars are not indigenous to Alberta, they pose a threat to property, public safety, and the ecosystem. Changed standards will safeguard the integrity of ecosystems, assure the public of their safety, and enable producers to continue their livelihood while ensuring wild boar farming does not negatively impact the surrounding environment.
3. Continued our support for innovative research projects through One Health Call. The program is designed to contribute to the increased competitiveness and profitability of Alberta's meat and livestock sector and promote environmental stewardship by supporting research that improves animal health, strengthens the foundation of animal health and food safety, and supports new technologies and on-farm food safety. This fiscal year ALMA invited proposals for projects that demonstrated a collaborative effort by researchers in different disciplines working at the local, national, and global level to advance the program's objectives and distributed over $1.77 million for eight initiatives.
4. Continued risk management efforts in preventing and preparing for animal health emergencies to minimize the risk of disease outbreak and associated costs. Programming included: detailed plans to mobilize regional and provincial resources; emergency carcass disposal planning; assistance to industry with improving their level of emergency planning; and, providing education and training to producers and industry partners on how to prevent diseases from encroaching on their premises.
5. Continued to support the agri-food processing industry and industry associations in the development and delivery of food safety extension tools and on-farm food safety programs. Recognizing the importance of continuous improvement, we altered our extension approach by directing resources to support food processors in obtaining retail-specific Hazard Analysis Critical

Control Points Advantage based food safety certification. This modified approach targets small companies that are responsible for a large share of food consumed by Albertans.

6. Continued to provide leadership in the surveillance of bovine spongiform encephalopathy (BSE) through laboratory testing, by administering the Canada and Alberta BSE Surveillance Program, and by participating in a national multi-stakeholder group that monitors the results of BSE surveillance across Canada. BSE surveillance is essential for Alberta to maintain consumer confidence domestically and continue to expand trade options internationally. Additionally, we supported the Alberta Prion Research Institute through ALMA in determining the economic, environmental, and social consequences of prion diseases such as Chronic Wasting Disease (CWD) and BSE. Our support will ensure the Alberta agri-food industry remains robust and considers a holistic approach when meeting the challenges associated with prion diseases.
7. Continued to work with stakeholders and the Canadian Food Inspection Agency on mitigation strategies related to food safety, public health, and livestock health concerns. By creating risk mitigation strategies, we are minimizing the risks of an outbreak and minimizing the associated costs to government and industry.
8. Continued engagement with industry through ALMA to support Alberta's livestock industry. This fiscal year, ALMA collaborated with industry stakeholders to develop and implement a national feedlot animal care assessment program for Canada's feedlot industry. The program will provide industry with recommended practices, promote continuous improvement, and encourage improvements in the level of the care provided to animals.

Performance Measure:

3a. Percentage of Alberta-licensed meat processing facilities that have added a preventative system to their existing food safety system.

Desired Trend in Results:

An increase in the number of Alberta-licensed meat processing facilities that meet or exceed provincial meat processing standards.

Results:

			Year Ending December 31	
Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013
n/a	86%	88%	91%	**94%**

Source: Agriculture and Rural Development

Discussion of Results:

This measure tracks the percentage of Alberta licensed meat processing facilities that meet and/or exceed provincial safe food production standards under the ***Meat Inspection Act*** and ***Meat Inspection Regulation***. An appropriate and transparent regulatory environment is essential in maintaining continued excellence in food safety at the meat processing level. In order to maintain and enhance public confidence in provincially-inspected meat products, we ensure consistency and compliance through inspection, auditing, and enforcement activities under the ***Meat Inspection Act*** and ***Meat Inspection Regulation***. In addition, we continue to enhance integrated food safety process controls by: maintaining a food safety surveillance system to validate the safety of meat products processed by provincially-licensed abattoirs; facilitating the adoption of internationally-accepted meat processing safety systems and standards; and, delivering information, training, and other programs that enhance food safety awareness and emergency responses.

In 2013, 94 per cent of provincially-licensed meat processors met or exceeded provincial safe food production standards. We licensed a total of 114 meat processing facilities at the beginning of the 2013 calendar year, with 107 being audited. All 107 audited facilities met and/or exceeded provincial safe food production standards. Four meat facilities were not audited in 2013 because they either relinquished their licences before their scheduled audit or were not operating in 2013 but retained their license. The remaining three meat facilities were not audited due to scheduling conflicts at the reporting cut-off time of December 31, 2013 due to weather-related events.

The high level of compliance of provincial safe food production standards among the meat processing facilities that were audited is due to an increased familiarity and understanding of audit requirements by processors. Still, there are many factors that can influence Alberta-licensed meat processing facilities to comply with meat processing standards, including customer expectations, facility operator's buy-in to food safety standards, market drivers, internal competition between facilities, and the overall relationship between the facility and the department.

This performance measure has been revised to better measure the impacts of new operating procedures for the audits performed at provincially-inspected meat facilities. In the spring of 2012, we had an independent consultant review the provincial meat inspection service in Alberta, with the objective of examining ways of improving the regulatory environment for the provincial slaughter and meat processing industry, while maintaining food safety as a priority. A report with 24 recommendations was received, and we accepted all recommendations. A key component of the 24 recommendations was a change in operating procedure for the audits performed at provincially-inspected meat facilities from one scheduled annual audit to three unannounced inspections over the course of the year. This new meat inspection process provides additional rigour to the existing provincial safe meat processing procedures in terms of scope and frequency of the meat inspection processes. Adopting the new procedures will improve delivery of meat inspection services and demonstrate that we are working with stakeholders to optimize operations, while ensuring that Albertans have access to safe food. In addition, we are collaborating with Alberta Health to implement an Integrated Food Safety Work Plan, which focuses on renewing both the ***Meat Inspection Regulation*** and the ***Food Regulation,*** and consolidates reporting on food safety.

The revised focus of this measure provides clarity and ensures consistency with the reporting methodology to provide even better assurance of Alberta's meat inspection processes. As a result, inspection results are not directly comparable to actual results from the prior calendar years.

Performance Measure:

3b. Number of Alberta food processing facilities participating in the Alberta Hazard Analysis Critical Control Point (HACCP) Advantage Program.

Desired Trend in Results:

Enhanced food safety practices through an increase in the number of Alberta food processing facilities using the HACCP system.

Results:

				Year Ending March 31
Actual 2009-2010	Actual 2010-2011	Actual 2011-2012	Actual 2012-2013	Actual 2013-2014
50	53	34	45	**45**

Source: Agriculture and Rural Development

Discussion of Results:

This measure is intended to capture the results of our efforts in ensuring the food safety continuum at the food processing level. We provide leadership and support for safe food production systems and global market access for Alberta's food processing industry through information, services, and legislation.

Since 2005, we have provided the Alberta HACCP Advantage (AHA!) program, a voluntary program that assists food processors to develop, improve, and implement food safety systems to meet the requirements of their current customers and gain new customers. The Hazard Analysis Critical Control Point, or HACCP, is a voluntary system that identifies, evaluates, and controls hazards that are significant for food safety.

In 2013-14, 45 food processors participated in the AHA! program. These food processors are mainly small companies that do not have sufficient expertise and infrastructure to implement a HACCP system or an equivalent risk-based food safety system. Small food businesses represent a large proportion of food enterprises and are responsible for a large share of food consumed by Albertans. Evidence suggests the AHA! program has been successful in encouraging a graduated or stepwise approach to HACCP implementation strategy.

The measure does not include the number of Alberta food processors that choose to participate in other complementary programs or retail-specific certification. Other food safety systems are growing in popularity, and are recognized by major food retailers around the world, making them a popular choice for food processors in Alberta (i.e. Global Food Safety Initiative benchmarked standards). Major food retailers in Alberta are increasingly sourcing food products from food processors that are able to demonstrate compliance to retailer-specific food safety controls and practices. The increased use of retail-specific food safety requirements as a marketing driver has led Alberta food processors to seek other food safety certification that meet the food safety requirements of their current food retailers.

The AHA! program was developed at a time when HACCP-based certification was at its infancy in Alberta and food processors needed cost-effective certifiable programs to meet their food safety certification requirements. Over the past nine years, the availability of HACCP-based certification options have improved, and the AHA! program is now just one of several options available for food processors to obtain certification for HACCP-based food systems. During the past year, we investigated the relevance of the AHA! program in facilitating increased adoption of HACCP-based food safety systems among food processors across the province. It was concluded that increased adoption can be attained by supporting food processors to implement retail-specific HACCP-based food safety certification. As the number of food safety certifiable programs increases, this measure is increasingly losing its relevance as an appropriate indicator of progress toward food safety outcomes, and has been removed as a performance measure in our 2014–17 Business Plan. This in no way reflects a weakening in the food safety requirements in Alberta, but is instead due to the maturation of control systems in the province.

GOAL 4: A vibrant, resilient and sustainable rural Alberta

What this means:
Building a resilient and sustainable rural Alberta requires policies, programs, and services that advance community capacity, infrastructure, economic opportunities, innovation, and rural stewardship.

Why this is important:
A strong rural Alberta contributes to the province's prosperity. By increasing human and business capacity, building networks, addressing challenges, and taking advantage of opportunities, rural Alberta can realize increased economic diversification, self-reliance, and an improved quality of life.

How we support this:
We collaborate with other ministries and agricultural organizations to coordinate and integrate policies and programs that encourage local innovation, creativity, and economic development in rural Alberta. We actively continue to build rural Alberta's leadership base by working with youth and rural stakeholders and partnering with educational institutions to facilitate innovative learning and skill development opportunities, as well as advance rural development initiatives. We assist with rural business diversification and facilitate the development of community infrastructure. We administer programs to reduce the costs of installing natural gas and farm electric utility services and reduce the cost of heating fuels for rural Albertans living in remote regions of the province. We also work with industry and rural Alberta to promote and enhance farm safety in Alberta.

Key Highlights and Considerations from 2013-14

- **Rural Economic Development Action Plan:**
  This fiscal year, we began leading the development and implementation of a Rural Economic Development Action Plan that will focus on: Industry and Business Development, Financial and Capital Access, Workforce Development, Regional Coordination, and Rural Economic Infrastructure Capacity. We engaged individuals and groups who have an active role in shaping rural communities through a series of sessions across the province.

  We are working with ministries across government to develop a plan for action that identifies key opportunities to improve our current suite of programs and services in response to evolving rural communities and regions, outline how government can better work together to reduce redundancy and improve the quality of service for stakeholders, and identify new and innovative approaches to address common challenges.

- **Southern Alberta Flood Recovery:**
  As a result of the devastating floods that occurred in Southern Alberta last summer, we are supporting flood recovery and mitigating efforts by coordinating government programs including: the Alberta Flood Recovery Loan Guarantee Program, the Alberta Flood Recovery Interest Rebate Program, and the AFSC Alberta Flood Recovery Loan Program. By utilizing these programs, we were able to maintain a strong rural Alberta throughout the aftermath of the disaster and ensure rural economies continue to develop.

- **Farm Safety:**
  In an effort to improve and promote safety on Alberta's farms, all recommendations of the Farm Safety Advisory Council have been accepted, including: Strategic, Province-wide Coordination and Awareness; Enhanced Education Resources, Training and Certification; Farm Related

Policies and Guidelines; and, Foreign Farm Workers in Alberta. To further support this important initiative, industry stakeholders took part in focus group sessions across the province to discuss methods to coordinate farm safety education, training, and certification. We partnered with the Canadian Agricultural Society Association to develop the Alberta FarmSafe Plan that will guide farm employers in developing a health and safety management system for their business and it supports the Certificate of Recognition program which allows farm businesses to qualify for Workers' Compensation rebates. We take the safety of farm workers and farm families very seriously and are committed to working with industry, stakeholders and all orders of government to address the unique and complex challenges of a farm work environment.

Additional Results and Ongoing Contributions

Additional results and ongoing contributions of the Ministry toward achieving our goal of a vibrant, resilient and sustainable rural Alberta include:

1. Provided contributions and worked with municipalities to complete the Final Mile Rural Connectivity Initiative. We partnered with Service Alberta to close service gaps in rural Alberta and ensure reliable, high-speed internet is available to at least 98 per cent of Albertans. One component of this initiative was our Final Mile Rural Community Program, which has provided $5.5 million to 24 local government-led projects since it began. Projects associated with this program helped cover the infrastructure costs associated with addressing service gaps in rural Alberta.
2. Provided essential financial lending services through Agriculture Financial Services Corporation (AFSC) to create a sustainable rural economy. As a result of our continued financing, producers and small businesses were able to access a stable, competitive source of funding and ensure their success by expanding, improving and stabilizing their operations. The Commercial Loan Program provides loans for rural Alberta when conventional lenders cannot provide financing on reasonable terms and conditions. Our support for these rural business enterprises and agriculture producers ensures they can access the capital necessary to grow the rural economy.
3. Provided recognition through the Century Farm and Ranch Award to 73 families across the province. The award is presented to families who have farmed or ranched the same land for 100 years or more and have helped build our rural area into the resilient and sustainable economy of today.
4. Continued to engage and collaborate with stakeholders to develop programs and practices that acknowledge the importance of farm safety, promote awareness, and provide farm businesses with the tools needed to ensure and maintain safety standards. As an example we partnered with the Temporary Foreign Worker Advisory Office for better access to farm safety resources for foreign workers and with the Alberta Centre for Injury Control and Research to develop specific farm safety messaging and awareness campaigns.
5. Provided support through insight and guidance for Rural Alberta's Development Fund (RADF). We have worked to align RADF activities with government goals and ensure the Fund contributes to the growth, prosperity, and quality of life in Alberta. Our continued support will encourage Albertans to invest in their own communities, resulting in new business, higher employment, and strengthened regional economies.
6. Continued to provide support for major fairs and exhibitions across the province, including the Calgary Exhibition and Stampede, Edmonton Northlands, Camrose Regional Exhibition & Agricultural Society, Grand Prairie Regional Agricultural & Exhibition Society, Lethbridge and District Exhibition, Lloydminster Agricultural Exhibition Association, Medicine Hat Exhibition and

Stampede Company, Olds Agricultural Society, and the Westerner Exposition Association. This support, through capital development and program initiatives, helps to increase the exposure of our rural areas and promote rural areas as lively communities.

7. Continued to provide contributions to Alberta's Agricultural Societies, which support agricultural programs, services, and facilities. Through our support, we aim to enhance the quality of life for rural communities and those contributing to the agriculture industry.
8. Continued to support provincial and regional rural program opportunities, which increase the knowledge, skill, and leadership ability of those residing, and operating businesses, in our rural communities. During this fiscal year, the majority of participants found significant value in programs offered through our Ministry.
9. Continued to support the Remote Area Heating Allowance program. The program was established under the Rebate Authorization Amendment Regulation and provides Albertans living or working where natural gas services are unavailable with rebates for the purchase of heating oil or propane. The rebate can be applied when expenses are incurred for primary residential, commercial, or industrial heating purposes.

Performance Measure:

4a. Total investment leveraged in rural businesses facilitated through Agriculture Financial Services (AFSC) lending services ($ million).

Desired Trend in Results:

A continuous increase in investment leveraged in rural businesses.

Results:

			Year Ending March 31	
Actual 2009-2010	Actual 2010-2011	Actual 2011-2012	Actual 2012-2013	Actual 2013-2014
565	640	658	663	**644**

Source: Agriculture Financial Services Corporation (AFSC)

Note: Values reported for investments are a proxy measure based on loans approved. Not all approved loans are disbursed, and in some cases, there may be timing differences between approval and disbursement of loans

Discussion of Results:

Without access to capital, rural businesses would not be provided an opportunity to prosper, or continue to sustain a vibrant agriculture and commercial business sector in many rural communities in Alberta. Agriculture Financial Services Corporation (AFSC) lending services ensure that primary agriculture producers and rural business enterprises can access the capital necessary to foster and grow the rural economy in Alberta. This measure highlights the successes of AFSC's direct contribution, partnership, and collaboration with other stakeholders in providing funding to support the growth of farming and commercial activities.

AFSC lending services are demand-driven by the agriculture and rural business community. Total dollar investment (which includes debt, equity, and investment) in agri-business and farm loans is a proxy value for investment based on loans approved that would be used to support the growth of farming and commercial activities. The $644 million in investments leveraged in rural businesses in 2013-14 is a slight decrease from the previous two years, even though the mix of farm lending and commercial lending changed. The leverage of funds lent to primary producers is substantially lower than those lent to commercial enterprises, resulting in lower-than-expected results for the year. The

higher level of demand from primary producers, where AFSC plays a primary lender role, was driven by producers looking to expand their land base. Demand from commercial enterprises, where AFSC serves as an alternative lender, was lower due to increased activity from other lenders.

AFSC continues to support the growth and development of the Alberta economy by providing loans to producers, agri-businesses, and commercial ventures at a time when many financial institutions continue to restrict lending to certain industries. As a mainstay in rural Alberta, AFSC's programs continue to exist and provide capital access regardless of the economic cycles that often create difficulties in accessing capital for businesses, especially in rural Alberta.

Performance Measure:

4b. Percentage of ministry-supported agricultural-related community activities that focus on leadership development.

Desired Trend in Results:

Increased leadership development capacity in rural communities though ministry-supported agricultural-related community activities.

Results:

Year Ending March 31

Actual 2009-2010	Actual 2010-2011	Actual 2011-2012	Actual 2012-2013	Last Actual 2013-2014
31%	33%	29%	35%	**34%**

Source: Agriculture and Rural Development

Discussion of Results:

This measure highlights our success in developing leadership capacity in rural communities, including the provision of diverse initiatives under our agricultural community programming. Leadership development is a key contributor in achieving a vibrant, resilient, and sustainable rural Alberta; continued support for leadership development activities helps to nurture those who wish to contribute to their communities. Leadership development activities encompass learning opportunities for both youth and adults in rural communities. The activities provided under a variety of settings enhance the capacity of rural communities to nurture, retain, and enhance critical skills in management, public speaking, economic development, and rural stewardship. The breadth and diversity of agricultural-related community activities allows each rural community to address their specific needs under the general umbrella of rural development.

We provide both block funding and project-specific funding to agricultural societies and community groups to initiate projects that address community-specific needs. The funding arrangement provides flexibility on how rural communities use program funds, and funding is provided for eligible activities completed by community groups. During the past year, we provided funding for 3,061 agricultural-related community activities, of which 34 per cent, or 1,048 activities, focused on leadership development. The remainder of activities focused on agri-business development, agriculture education, community improvement, fairs, and livestock show activities, which all contribute to improvements in agriculture, rural development, and the quality of life in rural Alberta.

Reported results for leadership development were expected to decrease, as one-time increases in program grants were provided in 2012 that targeted leadership development and farm safety ended. The one-time funding was a major factor behind the increase in the 2012-13 result, which built upon our commitment to support the development of the next generation of leaders in rural Alberta.

For 2013-14, both the non-leadership development and leadership activities decreased. However, the decrease in non-leadership development activities far surpasses the decrease in leadership development activities, causing the overall decrease in the reported result. This decrease is not statistically different from the previous reduction in 2011-12.

Performance Measure:

4c. Percentage of rural youth and adults participating in ministry-supported programs that report effective learning from those programs.

Desired trend in Results:

Maintain or increase the level of satisfaction from rural youth and adults participating in ministry-supported programs.

Results:

			Year Ending March 31	
Actual 2009-2010	Actual 2010-2011	Actual 2011-2012	Actual 2012-2013	Actual 2013-2014
n/a	95%	95%	92%	**94%**

Source: Agriculture and Rural Development

Discussion of Results:

This measure reflects the quality of learning opportunities under 4-H programming for both youth and adults in rural communities, which nurture and improve skill sets needed to strengthen rural communities. We support 4-H programming, which includes: regional and provincial livestock workshops; judging clinics and competitions; leadership and personal development conferences and seminars; communication and presentation workshops; and, technical skill development programs and opportunities. These 4-H programs enhance the capacity of rural communities to nurture, retain, and enhance critical skills related to leadership, managerial, public speaking, economic development, and environmental sustainability.

This performance measure provides a continuous measurement tool for assessing the effectiveness of learning opportunities provided for rural youth and adults under our supported programs through an annual survey. The 2013-14 result of 94 per cent remains similar to previous years, which reflects a consistently high quality of learning opportunities. During the year, we supported 92 learning opportunities for 5,862 youth and 2,092 leaders in 361 clubs across Alberta, and provided technical resources to youth and adults involved in over 30 specific project areas.

As part of effective performance measurement processes, all our performance measures are reviewed on an ongoing basis to ensure they are still providing relevant information for decision makers, as well as still gauging progress toward their related goals. During the development of the 2014-17 Business Plan, it was discovered that the leadership development programs used to calculate results for this measure are also reported under the performance measure on leadership development. To reduce redundancy among the performance measures, this measure has been discontinued in our future business plans, though results are still being monitored within the organization to ensure the quality of 4-H programming will continue to remain high.

Results Based Budgeting

Agriculture and Rural Development led the review of Economic Development programs during Cycle 2 of the Results-based Budgeting process. In total, 43 programs representing approximately $2.7B in gross expenses and spanning four ministries were evaluated for their relevance, effectiveness, and efficiency.

Our leadership and cross-ministry collaboration resulted in the approval and implementation of all 67 recommendations by Treasury Board Committee in February 2014. Included in those recommendations were suggestions for significant legislative changes, the development of new policies, programs and tools to address identified needs, transferring responsibility of programs and services to more suitable providers, and reducing unnecessary red tape and regulations. The success of this initiative further demonstrates our commitment to work in coordination with ministries across government for the continuous improvement of Ministry programs and services.

Appendix A: Organizational Descriptions

The Ministry is comprised of the:

- Department of Agriculture and Rural Development
- Agriculture Financial Services Corporation
- Alberta Livestock and Meat Agency Ltd.
- Office of the Farmers' Advocate of Alberta
- Alberta Grains Council
- Agricultural Products Marketing Council
- Irrigation Council

Department of Agriculture and Rural Development:

The Department of Agriculture and Rural Development operates in three key sectors: Food Safety and Technology, Industry and Rural Development, and Policy and Environment.

Food Safety and Technology:
The Food Safety and Technology Sector focuses on safe food production systems and animal health programs that protect public health and support market access for Alberta's agriculture and food industry through: facilitating the adoption of internationally-accepted food safety systems and standards; maintaining a surveillance system for food safety and animal health; minimizing the impact of animal diseases on public health; providing essential non-routine animal disease investigation services; and planning for and responding to food safety and animal health emergencies. The sector also validates the safe processing of meat and meat products though provincially-licensed meat facilities and dairy through provincially-licensed dairy processors, as well as ensures compliance with assigned legislation through investigation and enforcement activities. The Office of the Chief Provincial Veterinarian (OCPV) is part of the sector and advocates the use of current scientific principles and information in the development of animal health legislation and disease control programs. The OCPV liaises with international, federal and other provincial governments, as well as industry, on food and animal health issues.

In addition, the sector administers and coordinates the development of legislation that provides the framework for the establishment and management of Agriculture Boards and Commissions, rural gas, electric and water associations and other regulatory tools that support rural communities. To aid the growth and sustainability of rural communities, the sector provides financial support for the development of rural gas and electric infrastructure and facilitates the delivery of governance and leadership development programs. The sector is also responsible for working in partnership with program areas to optimize program delivery, contribute to business innovation and increase efficiencies by enabling modern technologies and through information management, as well as information sharing best practices. The sector provides the secure, robust and reliable technology infrastructure necessary to support the Ministry's requirements for electronic service delivery and is responsible for the planning, development, organization, evaluation, and delivery of information services, including print and electronic publishing.

Industry and Rural Development:
The Industry and Rural Development Sector supports the agriculture industry with a focus on business and technology development, and product and process testing in order to develop and support a competitive and self-reliant industry through technology transfer and extension activities. The sector provides relevant market information, opportunity identification, and networking opportunities with the goal of positioning Alberta as a preferred supplier to support targeted export growth for Alberta agriculture products and services. Through a focus on the value-added processing of agriculture commodities through laboratory development, applied research, and pilot plant scale-up, the sector facilitates development of new products, and supports the development of new companies and the attraction of new food processors to Alberta. In order to successfully grow the agriculture industry in Alberta, it is necessary to create and promote Alberta as a stable, credible and profitable location for agricultural and agri-food investors, as well as support the increase of agricultural exports and business services within Alberta's agriculture and agri-food industry. The sector is dedicated to establishing an overall strategic framework and implementing strategies necessary to generate and attract international and domestic investment to the agriculture sector in the province and advocating the growth of Alberta agriculture and agri-food export opportunities.

In addition, the sector enables industry and supports the development of Alberta's rural economy by encouraging innovation in the agriculture industry, supporting the development of youth and future leaders in rural Alberta, providing information and knowledge to agriculture entrepreneurs, and providing oversight and financial support for rural utilities. By focusing on communication with a variety of clients, and meeting local and domestic market demands, the sector is able to influence the creation and maintenance of a strong rural economy.

The sector also builds and implements food chain traceability initiatives, links these traceability systems to the national and provincial emergency response systems and provides policy advice on Alberta and national traceability initiatives and issues. In addition, the sector assures the effective delivery of agriculture educational training, leadership and grant programs, as well as front-line client contact services for industry clients through the Ag-Info Centre, field offices, and a variety of extension activities.

Policy and Environment:
The Policy and Environment Sector continues to address the growth of agricultural trade through monitoring and advancing international agricultural policy and agreements, and exploring international market access opportunities. It also ensures that Alberta's policy and strategic frameworks enable business opportunities and innovation, and strengthen rural communities through government-wide leadership of rural development policy. Through a focus on industry, social and economic trend analysis, strategic planning, policy development, market and competitiveness intelligence, and rural business and infrastructure development, the Policy and Environment Sector advances the competitive position of Alberta's agriculture industry. The Sector also focuses on the provision of statistical information, data on costs and returns, as well as market analysis to support sound decision-making by government and industry.

As public awareness drives the need for the agriculture industry to earn and demonstrate a social license to operate, development and implementation of environmental stewardship best practices is becoming increasingly important. By working collaboratively with industry and rural Alberta, the Policy and Environment Sector is building industry capacity and environmental opportunities that are outcome-focused, reportable, and verifiable. This also involves working with Alberta's irrigation industry in addition to agricultural producers to ensure that good quality surface and ground water supplies meet current and future agricultural, municipal, wildlife, and recreational needs. This

work also ensures that management practices meet acceptable water quality guidelines and that management systems assist livestock and crop producers to deal with changing climate conditions.

Agriculture Financial Services Corporation:
The Agriculture Financial Services Corporation (AFSC) provides a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry, and small businesses in Alberta.

The corporation provides insurance products to mitigate risks related to both livestock and crop production, including hay and pasture, and offers waterfowl and wildlife damage compensation to help Alberta farmers protect against production losses on their farms. AFSC delivers the federal/provincial AgriStability Program, a whole-farm program that provides compensation for decline in farm margin relative to historical margin for eligible producers, regardless of the commodities they produce. The corporation offers agriculture financial services such as farm loans and guarantees for new and expanding farm businesses and financing for those facing disastrous reductions in farm production or income. AFSC also provides and facilitates sourcing of financing for companies in the agri-food and value-added industry, as well as the small business sector, with an emphasis on rural Alberta.

Alberta Livestock and Meat Agency Ltd.:
The Alberta Livestock and Meat Agency Ltd. (ALMA) acts as a catalyst to help transition Alberta's livestock industry into competitiveness and sustainability, and ensures effective implementation of programs and initiatives directed at Alberta's livestock industry.

ALMA provides ideas, information and investment opportunities to the livestock industry and advises on public policy related to regulations, legislation, programs and issues of importance to the livestock and meat sectors. As well, ALMA identifies solutions and engages the industry to foster collaboration and alignment between industry and government priorities. ALMA's programs stimulate innovation and encourage the adoption of best practices, develop new technologies and state-of-the-art processes. The agency's priority areas are market access, streamlining the regulatory burden, synergistic growth, domestic positioning and information flow.

Office of the Farmers' Advocate of Alberta:
The Office of the Farmers' Advocate of Alberta works closely with rural Alberta and provides the Minister with information on issues concerning rural Albertans. The agency exists so that rural Albertans can make informed risk management decisions, operate in a balanced legal environment, and have an outlet to settle disagreements. The Office of the Farmers' Advocate of Alberta also provides advice to rural Albertans, works with the Ministry to ensure fair process for rural Albertans, and informs and explains issues regarding industry policies and procedures.

Alberta Grains Council:
The Alberta Grains Council provides strategic and tactical advice to the Minister and appropriate groups who are able to impact the long-term profitability and sustainability of the grains and oilseeds industry. The Council also provides advice to the Minister on other matters pertaining to the grain industry (such as transportation issues and investment needs in grains research and innovation), conducts ongoing examination of all facets of the industry, and maintains liaison with other governments, groups, or boards within and outside Alberta.

Agricultural Products Marketing Council:
The Agricultural Products Marketing Council advises the Minister on matters related to the establishment, operation, and management of the marketing boards and commissions established under the ***Marketing of Agricultural Products Act***. The Council also provides strategic support to marketing boards and commissions on board governance, leadership development, strategic and business planning, and regulatory and policy matters.

Irrigation Council:
The Irrigation Council supports the Government of Alberta and Irrigation Districts by providing recommendations and advice, regulatory administration, and strategic funding decisions that facilitate the responsible allocation, management and use of water delivered through irrigation infrastructure. The Council is made up of five public members and two government representatives appointed by the Minister of Agriculture and Rural Development.

Appendix B: Performance Measure Methodologies

Performance Measure:

1a. Number of value-added products developed and successfully introduced into market with assistance from Agriculture and Rural Development.

Methodology:

The result for this measure is the total number of written confirmations provided by industry clients for products that were developed with assistance from the Ministry and successfully introduced to market in fiscal year 2013-14. Value-added products include value-added food, beverage, and bio-industrial products.

The Ministry tracks all new value-added products of industry clients that are developed with some assistance from its staff. A product development activity encompasses projects where Ministry staff assisted industry clients in one or more of the following areas: product formulation, shelf-life, packaging, sensory evaluation, marketing, and commercialization.

At year-end, each industry client is asked to provide a written confirmation to verify the number of new products that were developed with the assistance from the Ministry and successfully introduced to market. "Introduced to market" refers to a product that has obtained a listing at retail or food service, domestically or internationally. The term also includes products that have been sold as ingredients for further manufacturing. The number of new products confirmed by written confirmations from industry clients are aggregated and reported for this measure. The data is collated from program areas within the Ministry that are engaged in project development and commercialization.

Performance Measure:

1b. Research and development investment by collaborators leveraged through ministry resources ($ million).

Methodology:

The result for this measure is the sum of expended dollars from outside sources leveraged through Ministry investment in research and development in four priority areas: value-added processing, livestock development, crop diversification, and environmental stewardship. The outside sources or collaborators include industry organizations, private companies, universities, government departments, and agencies.

Research and development is creative work undertaken on a systematic basis in order to increase the stock of scientific and technical knowledge and to use this knowledge in new applications. The central characteristic of research and development is an appreciable element of novelty and it involves scientific investigations resulting in new knowledge, products, or processes.

The reported result was collated from data supplied by Ministry program areas that are involved in research and development activities. The questionnaire collects information on a division's fiscal year research and development expenditures and expended amounts received from outside sources. An expended amount is an aggregate amount of revenue that has been used to offset part or all of project expenses. The performance result for this measure is the sum of expended amounts of outside funds.

Data on in-kind contributions from collaborators are not included in the calculation of this measure. As a result, the performance result likely understates the true amount of leveraged resources invested by collaborators. Measures of in-kind contributions are less reliable, as they are based on estimates that can be subjective in nature. The data is collated from program areas within the Ministry that are engaged in research and development activities.

Performance Measure:

1c. Percentage of eligible seeded acres for major crop categories insured under Production Insurance (Annual and Perennial crops).

Methodology:

Annual Crops

The total eligible seeded acres for the annual crops insured under the Crop Insurance program is divided by the corresponding total seeded acres for annual crops as reported in Statistics Canada's November 2013 Field Crop Reporting Series (released on December 4, 2013). The result is then expressed as a percentage.

Annual crops refer to those that are seeded every year. The annual crops included in this measure are wheat (winter wheat; spring wheat; durum wheat), oats, barley, fall rye, mixed grain, flaxseed, canola, corn for grain, dry peas, triticale, dry coloured beans, lentils, mustard seed, chick peas, sugar beets, and fodder corn.

Estimate for land (in acres) seeded to annual crops in Alberta is taken from Statistics Canada's November 2013 Field Crop Reporting Series. This Statistics Canada publication also provides a detailed methodology to the field crop data. The November estimate provides the most recent information available on seeded acreage in Alberta.

The corresponding eligible seeded acres of annual crops insured under the Crop Insurance program is supplied by Agriculture Financial Services Corporation.

Perennial Crops

The total eligible seeded acres for the perennial crops insured under the Crop Insurance program is divided by the corresponding total for seeded and native pastures (Census of Agriculture 2011, Statistics Canada) and tame hay pasture (November 2013 Field Crop Reporting Series, Statistics Canada (released on December 4, 2013)). The result is then expressed as a percentage.

Perennial crops refer to crops that do not need to be seeded every year and last for several years.

Perennial crops are made up of seeded pasture, native/natural pasture, and tame hay.

The corresponding eligible acres of perennial crops insured under the Crop Insurance program is obtained from Agriculture Financial Services Corporation.

The Census of Agriculture is collected every five years, so acres may change during that time.

Performance Measure:

2a. Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey).

Methodology:

The result for this measure is derived from 41 Environmentally Sustainable Agriculture (ESA) practices that could be used to address soil conservation, water management, wildlife habitat conservation, energy management, climate change adaptation, agricultural waste management, and grazing and manure management.

An eligible ESA practice (or group) for the base calculation is based on farm type, farm site characteristics, and operation practices. The percentage of eligible environmentally sustainable agricultural practices adopted by each respondent is multiplied by a weighting factor to generate a weighted adoption score for each respondent. The result of this measure is the average weighted adoption score of all respondents expressed as a percentage.

This survey assesses adoption of environmentally sustainable agriculture (ESA) practices. The target population for this survey is based on a list of commercial farmers in Alberta maintained by Ipsos Reid Corporation. The random and representative sample size was 501, providing a margin of error in provincial results of ± 4.4 per cent at the 95 per cent confidence level. The response rate was 14 per cent. Additional information can be found in Agriculture and Rural Development's 2013 Environmentally Sustainable Agriculture Tracking Survey.

Data limitations include producers that are not included in Ipsos Reid Corporation's database (the source of the survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable sample (due to wrong telephone numbers, answering machine, busy, no answer, etc.) and non-response, and disqualification due to failure to answer a required screening question. The source data for this measure is Agriculture and Rural Development's 2013 Environmentally Sustainable Agriculture Tracking Survey.

Performance Measure:

3a. Percentage of Alberta licensed meat processing facilities that have added a preventative system to their existing food safety system.

Methodology:

The result for this measure is derived by dividing the number of Alberta-licensed meat processing facilities that have implemented appropriate food safety process control systems as of December 31, 2013 by the total number of Alberta-licensed meat processing facilities as of January 8, 2013.

All meat processing facilities (poultry and red meat abattoirs) licensed by the Ministry receive an annual Meat Facility Standards (MFS) audit, once per calendar year as part of the Meat Safety Audit Program. This audit is a full systems audit against the entire MFS. The full system audit is used to determine if a meat processing facility has added a preventative system to their existing food safety system. For the purpose of this measure, a preventative system is defined as compliance with MFS as determined by a scored full annual audit.

Only full system audits are reported under this measure. Audit findings are scored and recorded in the MFS Annual Audit Report. Each abattoir receives a Level 1-6 rating with Levels 1-3 receiving a certificate (Gold, Silver, or Bronze) indicating that they have added a preventative system to their existing system.

Meat processing facilities that either relinquished their licenses before their scheduled audit date or were not operating but retained their license are included in the base figure total number of Alberta-licensed meat processing facilities as of January 8, 2013. The findings of these meat processing facilities can have significant impact on the reported result. The data for this measure is collated from the Ministry's Meat Safety Audit Program.

Performance Measure:

3b. Number of Alberta food processing facilities participating in the Alberta Hazard Analysis Critical Control Point (HACCP) Advantage Program.

Methodology:

This performance measure reports the total number of Alberta's provincially-licensed food processing plants that implemented appropriate food safety process control systems in fiscal year 2013-14, as reported under the Alberta HACCP Advantage (AHA!) program.

This measure tracks the success of the Ministry in encouraging Alberta food processors to adopt HACCP-based food safety systems and/or improve existing food safety systems. HACCP is the acronym for Hazard Analysis Critical Control Point. HACCP systems provide a systematic and preventative approach for the identification and control of food safety hazards. HACCP is an internationally recognized, science-based food safety system based on preventing, eliminating and reducing hazards.

Food processors that participate in the AHA! program are considered the baseline/starting point from which incremental improvements to activities listed in the work plan can be measured against. Each work plan is then validated by Ministry Food Safety Specialists. The work plan validation confirms that the completion of the activities listed in the work plan will result in an incremental improvement in food safety in the processing plant. Food processers then implement the activities documented on their work plan and subsequently validated by Ministry Food Safety Specialists through on-site closing assessments. Incremental improvements to a processing facility's food safety system are assessed by comparing the results of a closing assessment to a validated work plan. Food processing facilities that are able to demonstrate an incremental improvement to their food safety systems are considered to have participated in the Alberta HACCP Advantage program and are included in the result for this measure. The data is collated from the Ministry's AHA! Program.

Performance Measure:

4a. Total investment leveraged in rural businesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services ($ million).

Methodology:

Farms and commercial business investments in rural areas (all sources are included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party) are added and reported as total dollar investment. This amount excludes all loans that were approved in fiscal year 2013-14 and subsequently cancelled or withdrawn on or before March 31, 2014.

The measure highlights the successes of AFSC's direct contribution, partnership and collaboration with other stakeholders in providing funding to rural businesses for farming and/or commercial activities located outside Edmonton and Calgary.

Dollar investment is any fund (i.e., debt, equity, investment) that would be used to support the growth of farming and commercial activities. Total investment leveraged is a proxy for the total dollar investment as a result of AFSC's involvement with the facilitation of capital investment in agri-

business and farm loans through its lending products, services, and partnerships. Access to loans is critical in developing and expanding rural businesses, which positively contribute to strengthening rural communities.

Total dollar investment in rural businesses is a proxy value for investment based on loans approved. Values reported are affected by timing differences between approval and disbursement of loans approved. As well, not all approved loans are disbursed. The data is collated from AFSC's lending activities.

Performance Measure:

4b. Percentage of ministry-supported, agricultural-related community activities that focus on leadership development.

Methodology:

The total of Ministry-supported leadership development activities is divided by the total number of Ministry-supported agricultural-related community activities and then expressed as a percentage.

This measure focuses on leadership capacity in rural communities, including the provision of diverse initiatives under Ministry agricultural community programming. The breadth and diversity of agricultural-related community activities held at various events throughout the year enhance the capacity of rural communities to nurture, retain, and enhance critical skills in leadership.

Leadership development activities encompass learning opportunities for both youth and adults in rural communities that nurture and improve skill sets needed to strengthen rural communities, such as management, public speaking, economic development, and environmental sustainability. These skills are important in supporting vibrant and sustainable rural communities.

Ministry-supported activities include educational workshops, sessions, and rural community-initiated projects that focus on leadership development, agriculture education, and agriculture-related activities such as livestock shows. Activities held at Ministry-supported events fall under three program areas: Agricultural Society Program, 4-H Program, and Agricultural Initiatives Programs. The activities included in the measure address the Ministry's five priority areas:

- **Agriculture-related activities** — refer to activities such as rodeos, fairs and livestock shows.
- **Agri-business development** — includes any activities that promote agricultural business development and the development of the agriculture industry.
- **Agriculture education and skill development** — includes programs or projects that foster awareness of agriculture or improve/develop skills within the community.
- **Leadership development** — includes training for volunteer staff, providing funding for conferences, workshops, or seminars, and sponsoring youth leadership development.
- **Community improvements** — includes any capital funding for infrastructure development, renovations, repairs and maintenance, and operating costs of facilities, as well as all capital projects from the Agricultural Initiatives Program grant program.

Data for this measure is collated from three program areas of the Ministry; Agricultural Society Program, 4-H Program, and Agricultural Initiatives Program.

Performance Measure:

4c. Percentage of rural youth and adults participating in ministry-supported programs that report effective learning from those programs.

Methodology:

The data for this measure is obtained through the use of written evaluations from a rotating sample of eight random and representative Ministry-supported programs. Fifty per cent of the programs evaluated in the prior fiscal year (2012-13) were replaced with a new sample of equal size in the current fiscal year (2013-14). The complete set of programs in the 2012-13 survey sample is thus replaced every two years, ensuring that 50 per cent of the programs are common from year to year.

The target audience and individual program objectives determine the type of questions that are selected from a standardized menu. For each question, the respondent may choose "Yes" to indicate a positive change (effective learning) or "No" to indicate no positive change. Questions that are not answered or have multiple answers selected are coded "No Response" and excluded from the analysis.

To assess effective learning from Ministry-supported programs, respondents are asked questions on knowledge learned, attitudes affected in a positive way, skills acquired, and aspirations developed through their participation in those programs. The aggregate weighted percentage of respondents who reported effective learning from Ministry-supported programs is calculated and reported.

A total of 685 rural youth and adults were surveyed. Results are reliable within ± 4.7 per cent at the 95 per cent confidence level. The response rate was 78 per cent. The data is collated from 4-H programs and Agriculture and Rural Development.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2014

Independent Auditor's Report

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Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Agriculture and Rural Development, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Agriculture and Rural Development as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2014
Edmonton, Alberta

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2014

	2014 Constructed Budget (Schedule 2)	2014 Actual	2013 Actual (Restated)
		(in thousands)	
Revenues			
Government Transfers			
Government of Alberta Grants	$ -	$ 812	$ 513
Federal Government Grants	318,899	294,847	277,512
Investment Income	124,227	118,022	111,376
Premiums, Fees and Licenses	326,998	394,663	339,860
Other Revenue	8,168	9,034	10,046
Ministry Revenue	**778,292**	**817,378**	**739,307**
Expenses - Directly Incurred (Note 2(c) and Schedule 8)			
Program (Schedule 1)			
Ministry Support Services	17,063	16,834	15,992
Agriculture Policy and Economics	12,954	11,185	10,386
Agriculture Environment and Water	49,799	50,002	52,610
Rural and Regulatory Services	20,076	19,888	24,782
Industry Development	113,292	104,908	98,618
Food Safety and Animal Health	36,439	32,618	33,257
Farm Fuel Distribution Allowance	-	-	35,223
Lending	37,984	22,546	37,268
Agriculture Income Support	139,709	73,149	112,142
Insurance	429,101	432,971	711,089
Livestock and Meat Strategy	29,352	28,964	36,696
Program Expense	**885,769**	**793,065**	**1,168,063**
Other			
Debt Servicing Costs	75,072	67,931	66,719
	75,072	67,931	66,719
Ministry Expense	**960,841**	**860,996**	**1,234,782**
Net Operating Results	**$ (182,549)**	**$ (43,618)**	**$ (495,475)**

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

	2014	2013 (Restated)
	(in thousands)	
Assets		
Cash and Cash Equivalents	$ 240,529	$ 266,086
Accounts Receivable	14,433	13,389
Due from Government of Canada	142,806	175,128
Loans Receivable (Schedule 3)	1,954,401	1,777,383
Investments (Schedule 4)	1,634,743	1,119,771
Tangible Capital Assets (Schedule 5)	75,473	78,231
	$ 4,062,385	**$ 3,429,988**
Liabilities		
Accounts Payable and Accrued Liabilities	$ 44,006	$ 47,483
Indemnities Payable	133,828	202,743
Deferred Revenue (Note 5)	24,574	29,972
Borrowing from Government of Alberta (Schedule 6)	1,946,568	1,808,219
	2,148,976	**2,088,417**
Net Assets		
Net Assets at Beginning of Year	1,341,571	1,325,773
Net Operating Results	(43,618)	(495,475)
Net Financing Provided from General Revenues	615,456	511,273
Net Assets at End of Year	1,913,409	1,341,571
	$ 4,062,385	**$ 3,429,988**

Contractual obligations and contingent liabilities (Notes 6 and 7)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014

	2014	2013 (Restated)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (43,618)	$ (495,475)
Non-cash items included in Net Operating Results		
Amortization of Tangible Capital Assets	16,749	15,531
Deferred Capital Contribution recognized as revenue	(3,139)	(3,156)
Amortization of premiums and discounts	7,499	5,694
Unearned Revenue recognized as revenue	(17,601)	(19,682)
Loss on Disposal of Tangible Capital Assets	8	37
Gain on Sale of Investments	(3,907)	(2,972)
	(44,009)	**(500,023)**
Unearned Revenue Received	10,150	16,300
Net Change in Operating Assets and Liabilities	(46,246)	51,325
Cash Applied to Operating Transactions	**(80,105)**	**(432,398)**
Capital Transactions		
Acquisition of Tangible Capital Assets	(14,044)	(12,062)
Proceeds on Disposal of Tangible Capital Assets	45	67
Cash Applied to Capital Transactions	**(13,999)**	**(11,995)**
Investing Transactions		
Proceeds from Repayments of Loans Receivable	327,660	316,571
Loan Disbursements	(502,066)	(502,915)
Purchase of Investments	(1,088,998)	(524,675)
Proceeds on Disposal of Investments	574,696	483,866
Cash Applied to Investing Transactions	**(688,708)**	**(227,153)**
Financing Transactions		
Contributions Restricted for Capital	5,192	5,148
Borrowing from the Government of Alberta	330,000	355,000
Repayment of Borrowing from the Government of Alberta	(193,393)	(226,053)
Previously unrecorded net assets	-	245
Net Financing Provided from General Revenues	615,456	511,273
Cash Provided by Financing Transactions	**757,255**	**645,613**
Decrease in Cash and Cash Equivalents	**(25,557)**	**(25,933)**
Cash and Cash Equivalents at Beginning of Year	**266,086**	**292,019**
Cash and Cash Equivalents End of Year	**$ 240,529**	**$ 266,086**

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2014

Note 1 Authority and Purpose

The Minister of Agriculture and Rural Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The purpose of the ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The Minister of Agriculture and Rural Development administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture and Rural Development and constitute the reporting entity.

Organization	Authority
Department of Agriculture and Rural Development (the Department)	*Government Organization Act*
Agriculture Financial Services Corporation (the Corporation)	*Agriculture Financial Services Act*
The Alberta Livestock and Meat Agency Ltd. (the Agency)	*Alberta Business Corporations Act*

The financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the ministry have been eliminated.

(c) Basis of Financial Reporting

Revenue Accounting Policy - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as deferred revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions for crop insurance, are recognized as income when invoiced to producers.

Funds collected under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Government transfers -Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms of the transfer, or the stipulations together with the ministry's actions and communications as to the use of transfers create a liability.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the ministry is eligible to receive the funds.

Capital contributions - Restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

Expenses

Directly Incurred - Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, loans, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others - Services contributed by other entities in support of the ministry operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

Assets - Cash and Cash Equivalents consists of deposits in the Consolidated Cash Investment Fund, which is managed by the President of Treasury Board and Minister of Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; accounts payable and accrued liabilities; and indemnities payable. Fair values of loans receivable, investments, and borrowing from the Government of Alberta are disclosed in their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans are recorded at the lower of cost and net recoverable value. Amounts included in the cost of loan receivable include principal not due, arrears of principal and interest, accrued interest and capitalized other costs. Valuation allowances are recorded to reduce the cost of impaired loans to their net realizable value. A loan is classified as impaired when collection of principal and interest is no longer reasonably assured.

Loans made with significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the term of the related concessionary loan.

Tangible capital assets of the ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Tangible capital assets are restricted to those acquired for cash or exchanged for other assets.

Amortization is only charged if the tangible capital asset is in use.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets - Net assets represent the difference between the carrying value of assets held by the ministry and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The ministry operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, amounts in the AgriInsurance net assets are restricted for AgriInsurance purposes only.

Measurement Uncertainty (*in thousands*) - Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

Accounts Receivable, recorded as $14,433 in these financial statements, includes an allowance for doubtful accounts of $19,886 (2013 – $20,159) for estimated losses on premiums receivable and overpayments which is subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

Loans Receivable - Loans receivable, recorded as $1,954,401 (2013 – $1,777,383) in these financial statements, include a specific allowance of $15,622 (2013 – $17,447 and a general allowance of $16,969 (2013 – $19,945) that are subject to measurement uncertainty. The amount established for specific and general allowances of $32,591 (2013 – $37,392) to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Provisions are established for specifically identified potential losses on loans. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted net present value of the security and the cost of realization. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the ministry establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

Indemnities Payable - Estimated indemnities payable of $133,828 (2013 – $202,743) and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for AgriStability and AgriInvest program are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of $67,259 to $115,832.

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on potential payments for claims not yet processed.

Indemnities for Livestock Price Insurance Program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

Note 3 Restatement of Prior Year Figures
(in thousands)

Net Assets at March 31, 2012 is made up as follows:

Net Assets as previously reported	$ 1,319,418
Tangible Capital Asset additions relating to prior year	453
Previously unrecorded net assets	245
Accounting Policy Change	(25)
Elimination for Opening Capital Deferred Revenue	5,682
Net Assets at March 31, 2012	$ 1,325,773

The change in the opening net assets reflects recognition of the net book value of previously unrecorded tangible capital assets in the amount of $453, net assets in the amount of $245 related to transactions previously managed by an industry partner and an elimination for opening capital deferred revenue balance $5,682.

And as a result of capital transfers and restricted capital contributions policy change, capital transfers and restricted capital contributions are recognized as deferred revenue upon receipt and transferred to revenue over the useful life of capital assets based on relevant stipulations by transferring government. As a result, the opening net assets have been decreased by $25.

Net operating results have been restated to reflect the revenues and expenses that should have been recorded as a result of these transactions as follows:

Net Operating Results, as previously reported at March 31, 2013	$ (495,172)
Previously unrecorded revenue	57
Accounting Policy Change	(336)
Operating Expense erroneously recorded as Capital Expense	(24)
Net Operating Results, as restated at March 31, 2013	$ (495,475)

Note 4 Credit and Interest Rate Risk
(in thousands)

Credit Risk - Credit risk is the risk that a borrower may not pay amounts owing thus resulting in a loss.

The following breakdown of the loans receivable provides an indication of the concentration of credit risk in the loan portfolio.

	2014		2013	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	$ 945,750	48%	$ 832,017	47%
Cattle	472,814	24%	442,863	25%
Accommodations and Other Services	122,898	6%	110,349	6%
Manufacturing	101,849	5%	87,934	5%
Trade - Retail and Wholesale	69,352	4%	69,063	4%
Other Livestock	68,073	3%	66,545	4%
Commercial and Industrial	49,174	3%	52,096	3%
Transportation and Warehousing	38,092	2%	33,598	2%
Professional Services	30,674	2%	26,055	1%
Other	88,317	5%	94,256	5%
Allowance	(32,592)	-2%	(37,393)	-2%
	$ 1,954,401	100%	$ 1,777,383	100%

Note 4 Credit and Interest Rate Risk (continued)

Interest Rate Risk - Interest rate risk is the impact future changes in interest rates have on cash flows and fair values of assets and liabilities. Loan receivable balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. The ministry allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrower's repayment preferences.

The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. The Government of Alberta provides an amount to bridge the gap between interest revenue from loan portfolio and interest on borrowings annually through the budget process. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the ministry's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment [1]				Not Interest Rate Sensitive [2]	2014	2013
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
				(in thousands)			
Loan balances	$ 177,499	$ 588,352	$ 566,444	$ 613,664	$ 8,440	$ 1,954,399	$ 1,777,381
Yield [3]	4.69%	4.33%	4.41%	3.75%	-	4.34%	4.77%
Rural utilities	$ 2	$ -	$ -	$ -	$ -	$ 2	$ 2
Borrowing from							
Government of Alberta	$ 45,479	$ 549,020	$ 752,403	$ 580,721	$ 18,946	$ 1,946,569	$ 1,808,219
Yield [3]	3.69%	3.76%	3.61%	3.12%	-	0.00%	3.72%
Net gap	$ 132,022	$ 39,332	$ (185,959)	$ 32,943	$ (10,506)	$ 7,832	$ (30,836)

(1) For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual payments of interest and repayment of principal. The interest rates are fixed until maturity.

(2) Includes specific and general allowance, accrued interest, and unamortized loan discount.

(3) Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 5 Deferred Revenue
(in thousands)

	2014	2013
Unearned Revenue (a)	$ 11,170	$ 18,621
Spent deferred capital contributions (b)	13,404	11,351
	$ 24,574	$ 29,972

(a) Unearned Revenue

	2014				2013
	Federal Government	Government of Alberta	Non-government	Total	Total
Balance, beginning of year	$ 5	$ 1,479	$ 17,137	$ 18,621	$ 22,003
Received/receivable during year	302	1,120	8,685	10,107	16,219
Restricted Realized Investment Income	-	-	43	43	81
Less amounts recognized as revenue	(307)	(1,114)	(16,180)	(17,601)	(19,682)
Balance, end of year	$ -	$ 1,485	$ 9,685	$ 11,170	$ 18,621

(b) Spent deferred capital contributions

	2014				2013
	Federal Government	Government of Alberta	Non-government	Total	Total
Balance, beginning of year	$ 10,990	$ -	$ 361	$ 11,351	$ 9,359
Received/Receviable	4,191	-	1,001	5,192	5,148
Less amounts recognized as revenue	(3,096)	-	(43)	(3,139)	(3,156)
Balance, end of year	$ 12,085	$ -	$ 1,319	$ 13,404	$ 11,351

Note 6 Contingent Liabilities
(in thousands)

The ministry is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate.

The ministry has been named in one (2013: two) claim of which the outcome is not determinable. The claim has a specified amount totalling $300 (2013: $897). This claim is covered in whole by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

Note 7 Contractual Obligations
(in thousands)

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2014	2013
Obligations under Operating Leases, Contracts and Programs	$ 71,347	$ 64,563
Approved, Undisbursed Loans	181,981	153,436
	$ 253,328	$ 217,999

Estimated payment requirements for each of the next five years are as follows:

Obligations Under Operating Leases, Contracts and Programs

	Total
2014-15	$ 52,764
2015-16	10,760
2016-17	2,995
2017-18	1,767
2018-19	1,052
Thereafter	2,009
	$ 71,347

Loans and Advances

	Total
2014-15	$ 181,981
	$ 181,981

Note 8 Guarantees
(in thousands)

	2014	2013	Expiry Date
Feeder Associations	$ 48,417	$ 46,544	Ongoing
Agriculture Financial Services Corporation Guarantees	10,226	1,944	Variable
	58,643	48,488	
Allowance for Loan Guarantees	(150)	(150)	
	$ 58,493	$ 48,338	

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan. There are currently no outstanding guarantees under the *Rural Utilities Act*.

Included in Agriculture Financial Services Corporation guarantees is $8.75 million guaranteed under the Alberta Flood Recovery Loan Guarantee Program (AFRLGP), which was established to assist Alberta businesses directly impacted by the June 2013 flood in southern Alberta. Under the AFRLGP, the corporation has entered into agreements with financial institutions guaranteeing repayment of up to 75% of loans issued under this program.

Note 9 Trust Funds Under Administration
(in thousands)

The ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the ministry's financial statements.

As at March 31, 2014 trust funds under administration were as follows:

	2014	2013
4-H General Trust	$ 110	$ 98
Wheat Board Monies Trust Fund	-	123
Claude Gallinger Memorial Trust Fund	21	21
	$ 131	$ 242

Responsibility for the administration of the Wheat Board Monies Trust Fund was transferred to the Ministry of Innovation and Advanced Education, Heritage Scholarship Trust on January 31, 2014.

Note 10 Benefit Plans
(in thousands)

The ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $17,355 for the year ended March 31, 2014 (2013 - $16,022). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2013, the Management Employees Pension Plan reported a surplus of $50,457 (2012 deficiency – $303,423), the Public Service Pension Plan reported a deficiency of $1,254,678 (2012 deficiency - $1,645,141) and the Supplementary Retirement Plan for Public Service Managers had a deficiency of $12,384 (2012 deficiency - $51,870).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2014, the Bargaining Unit Plan reported an actuarial surplus of $75,200 (2013 surplus – $51,717) and the Management, Opted Out, and Excluded Plan an actuarial surplus of $24,055 (2013 surplus - $18,327). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 11 Comparative Figures

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

Note 12 Budget

The 2013-2014 Government and Lottery Fund Estimates were approved on April 29, 2013.

Note 13 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the senior financial officer and the deputy minister.

Schedule 1

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2014

	2014		2013
	Constructed Budget	Actual	Actual (Restated)
		(in thousands)	
Indemnities	$ 469,670	$ 410,739	$ 729,955
Grants	130,453	125,599	169,606
Salaries, Wages, Employment Contracts and Benefits	161,640	158,028	156,646
Interest	75,072	67,931	66,719
Supplies and Services	67,026	54,511	56,304
Amortization of Tangible Capital Assets	15,944	16,749	15,532
Other Expenses	41,036	27,439	40,020
Total	$ 960,841	$ 860,996	$ 1,234,782

Schedule 2

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

BUDGET

YEAR ENDED MARCH 31, 2014

	2013-14 Estimate	Adjustment to Conform to Accounting Policy (in thousands)	2013-14 Constructed Budget
Revenues			
Federal Government Grants	$ 318,899	$ -	$ 318,899
Investment Income	124,227	-	124,227
Premiums, Fees and Licenses	326,998	-	326,998
Other Revenue	8,068	100	8,168
	778,192	100	778,292
Expenses - Directly Incurred			
Programs			
Ministry Support Services	17,063	-	17,063
Agriculture Policy and Economics	12,954	-	12,954
Agriculture Environment and Water	30,799	19,000	49,799
Rural and Regulatory Services	16,176	3,900	20,076
Industry Development	113,292	-	113,292
Food Safety and Animal Health	36,439	-	36,439
Farm Fuel Distribution Allowance	-	-	-
Lending	37,984	-	37,984
Agriculture Income Support	139,709	-	139,709
Insurance	429,101	-	429,101
Livestock and Meat Strategy	29,352	-	29,352
Program Expense	862,869	22,900	885,769
Debt Servicing Costs	75,072	-	75,072
Total Expense	937,941	22,900	960,841
Net Operating Results	$ (159,749)	$ (22,800)	$ (182,549)
Capital Spending	$ 33,646	$ (21,900)	$ 11,746

Schedule 3

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF LOANS RECEIVABLE

YEAR ENDED MARCH 31, 2014

	2014	2013
	(in thousands)	
Loans Receivable	$ 1,960,817	$ 1,789,703
Accrued Interest	26,266	25,199
	1,987,083	1,814,902
Less Allowance for Doubtful Accounts	$ (32,592)	(37,393)
Less Loan Discounts	(90)	(126)
	$ 1,954,401	$ 1,777,383

Fair values of loans receivable are not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

The allowance for doubtful accounts of $32,592 (2013 – $37,393) includes a specific allowance of $15,622 (2013 – $17,447) on impaired loans outstanding of $30,035 (2013 - $33,787), excluding unamortized loan discounts.

Schedule 4

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF INVESTMENTS

YEAR ENDED MARCH 31, 2014
(in thousands)

	2014	2013
Bonds and Debentures		
Government of Canada, direct and guaranteed	$ 843,492	$ 516,450
Other provincial, direct and guaranteed	135,728	180,011
	979,220	696,461
Corporate Securities	646,547	416,537
	1,625,767	1,112,998
Accrued interest	8,976	6,773
	$ 1,634,743	$ 1,119,771

	Term to Maturity				
	Within 1 Year	1 to 5 Years	6 to 10 Years	2014 Total	2013 Total
Bonds and Debentures	$ 117,318	$ 835,991	$ 25,911	$ 979,220	$ 696,461
Yield	0.95%	1.44%	2.23%	1.40%	1.30%
Corporate Securities	-	582,535	64,012	646,547	416,537
Yield	-	1.83%	2.58%	1.90%	1.73%
	117,318	1,418,526	89,923	1,625,767	1,112,998
Accrued Interest	625	7,972	379	8,976	6,773
	$ 117,943	$ 1,426,498	$ 90,302	$ 1,634,743	$ 1,119,771

The fair value of investments at March 31, 2014 is $1,639,850 (2013 - $1,132,523). Fair value is based on quoted market prices including accrued interest.

Schedule 5

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEAR ENDED MARCH 31, 2014
(in thousands)

Estimated Useful Life	Land Indefinite	Buildings 25 - 40 years	Equipment and Vehicles 5 - 10 years	Computer Hardware and Software 2 - 10 years	Rail Hopper Cars 35 years	Leasehold Improvements 5 years	2014 Total	2013 Total (Restated)
Historical Cost [a]								
Beginning of Year	$ 347	$ 11,945	$ 62,422	$ 102,115	$ 49,294	$ 133	$ 226,256	$ 216,371
Additions	-	66	4,445	9,533	-	-	14,044	12,062
Disposals	-	-	(471)	(1,724)	(322)	-	(2,517)	(2,177)
	$ 347	$ 12,011	$ 66,396	$ 109,924	$ 48,972	$ 133	$ 237,783	$ 226,256
Accumulated Amortization								
Beginning of Year	$ -	$ 4,862	$ 38,647	$ 59,209	$ 45,207	$ 100	$ 148,025	$ 134,567
Amortization Expense	-	411	4,810	10,097	1,404	27	16,749	15,531
Effect of Disposals	-	-	(448)	(1,714)	(302)	-	(2,464)	(2,073)
	$ -	$ 5,273	$ 43,009	$ 67,592	$ 46,309	$ 127	$ 162,310	$ 148,025
Net Book Value at March 31, 2014	$ 347	$ 6,738	$ 23,387	$ 42,332	$ 2,663	$ 6	$ 75,473	
Net Book Value at March 31, 2013	$ 347	$ 7,083	$ 23,775	$ 42,906	$ 4,087	$ 33	$ 78,231	$ 78,231

[a] Historical cost includes work-in-progress at March 31, 2014 totaling $9,515 comprised of: equipment $5,669 (2013 - $1,129) and computer hardware and software $3,846 (2013 - $5,672).

Schedule 6

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF BORROWING FROM THE GOVERNMENT OF ALBERTA

YEAR ENDED MARCH 31, 2014
(in thousands)

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing. Repayment of principal is on maturity with the exception of a small number of borrowings which require blended repayments during the term.

	2014	2013
Annual Interest Rate		
Less than 2%	$ 120,000	$ -
2.01% to 3.00%	433,000	383,000
3.01% to 4.00%	784,238	734,238
4.01% to 5.00%	514,751	574,751
5.01% to 6.00%	75,634	99,027
	1,927,623	1,791,016
Accrued interest	14,045	14,266
Unamortized premium	4,900	2,937
	$ 1,946,568	$ 1,808,219

The estimated fair value at March 31, 2014 is $2,025,893 (2013 - $1,945,413). Fair value is an approximation of market value to the holder.

Scheduled principal repayments in each of the next five years and thereafter are as follows:

Year ending March 31,	2015	$ 45,479
	2016	228,642
	2017	65,506
	2018	68,780
	2019	186,092
	Thereafter	1,333,124
		$ 1,927,623

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2014
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the ministry.

The ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	2014	2013
Revenues:		
Grants	$ -	$ -
Other	820	513
	$ 820	$ 513
Expenses - Directly Incurred:		
Grants	$ 9,164	$ 11,276
Accommodation	784	799
Other services	4,441	3,453
Interest	67,752	66,719
	$ 82,141	$ 82,247
Payable to		
Ministry of Treasury Board and Finance	$ 1,946,569	$ 1,809,259
Ministry of Innovation and Advanced Education	3,177	930
Ministry of Service Alberta	4	4
Ministry of Infrastructure	66	-
Ministry of International and Intergovernmental Relations	-	35
Receivable from		
Ministry of Innovation and Advanced Education	1	127
Deferred Revenue from		
Ministry of Innovation and Advanced Education	169	439
Ministry of Education	1,316	1,041
	$ 1,951,302	$ 1,811,835

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	2014	2013
Expenses incurred by others:		
Accommodation	$ 26,478	$ 26,108
Legal	1,141	1,123
Other services	4,631	5,455
	$ 32,250	$ 32,686

Note: The ministry receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Schedule 8

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF ALLOCATED COSTS

YEAR ENDED MARCH 31, 2014
(in thousands)

Program	2014 Expenses	2014 Expenses - Incurred by Others						2014	2013
	Expenses[1]	Accommodation Costs[2]	Legal Services[3]	Service Alberta[4]	Air Services[5]	Corporate Internal Audit Services[6]	Learning Centre[7]	Total Expenses	Total Expenses (Restated)
Ministry Support Services	$ 16,834	$ 2,659	$ 347	$ 4,353	$ 143	$ 102	$ 4	$ 24,442	$ 24,271
Agriculture Policy and Economics	11,185	2,001	29	-	-	-	3	13,218	16,592
Agriculture Environment and Water	50,002	3,879	85	-	-	-	5	53,971	52,610
Rural and Regulatory Services	19,888	2,879	121	-	-	-	4	22,892	27,973
Industry Development	104,908	9,954	222	-	-	-	13	115,097	111,674
Food Safety and Animal Health	32,618	3,172	333	-	-	-	4	36,127	33,257
Farm Fuel Distribution Allowance	-	-	-	-	-	-	-	-	35,223
Agriculture Income Support	73,149	357	-	-	-	-	-	73,506	112,228
Lending	22,546	817	-	-	-	-	-	23,363	38,014
Insurance	432,971	760	-	-	-	-	-	433,731	712,205
Livestock and Meat Strategy	28,964	-	4	-	-	-	-	28,968	36,675
	$ 793,065	$ 26,478	$ 1,141	$ 4,353	$ 143	$ 102	$ 33	$ 825,315	$ 1,200,722

(1) Expenses - Directly incurred per Consolidated Statements of Operations, excluding valuation adjustments and debt servicing costs.
(2) Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 7, allocated by budgeted full-time equivalent employment.
(3) Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.
(4) Costs shown for Service Alberta on Schedule 7 (Other services), allocated by estimated costs incurred by each program.
(5) Costs shown for Air Transportation on Schedule 7 (Other services), allocated by estimated costs incurred by each program.
(6) Costs shown for Corporate Internal Audit Services on Schedule 7 (Other services), allocated by estimated costs incurred by each program.
(7) Costs shown for Learning Centre on Schedule 7 (Other services), allocated by budgeted full-time equivalent employment.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

FINANCIAL STATEMENTS
Year ended March 31, 2014

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Revenues

Schedule 2 – Credit or Recovery

Schedule 3 – Expenses – Directly Incurred Detailed by Object

Schedule 4 – Budget Reconciliation

Schedule 5 – Lapse/Encumbrance

Schedule 6 – Lottery Fund Estimates

Schedule 7 – Salary and Benefits Disclosure

Schedule 8 – Related Party Transactions

Schedule 9 – Allocated Costs

AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Minister of Agriculture and Rural Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Agriculture and Rural Development, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Agriculture and Rural Development as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2014
Edmonton, Alberta

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2014

	2014 Constructed Budget (Schedule 4)	2014 Actual	2013 Actual (Restated)
		(in thousands)	
Revenues (Schedule 1)			
Government Transfers			
Government of Alberta Grants	$ 500	$ 1,715	$ 1,423
Federal Government Grants	42,039	36,277	31,776
Premiums, Fees and Licenses	1,213	1,497	1,557
Other Revenue	6,769	7,614	7,910
	50,521	**47,103**	**42,666**
Expenses - Directly Incurred (Note 2(b) and Schedule 9)			
Program (Schedules 3 and 5)			
Ministry Support Services	17,063	16,834	15,992
Agriculture Policy and Economics	12,954	11,185	10,886
Agriculture Environment and Water	50,299	50,522	52,610
Rural and Regulatory Services	20,076	19,888	24,782
Industry Development	118,655	110,265	103,696
Food Safety and Animal Health	36,439	32,618	33,257
Farm Fuel Distribution Allowance	-	-	35,223
Livestock and Meat Strategy	23,560	22,333	30,022
2013 Alberta Flooding	-	114	-
Agriculture Insurance and Lending Assistance			
Lending	16,290	16,290	16,480
Insurance	229,672	269,625	228,330
Wildlife	3,827	4,878	2,688
Income Stabilization	60,625	37,885	60,103
	589,460	**592,437**	**614,069**
Net Operating Results	**$ (538,939)**	**$ (545,334)**	**$ (571,403)**

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

	2014	2013 (Restated)
	(in thousands)	
Assets		
Cash	$ 408	$ 312
Accounts Receivable (Note 4)	30,056	30,996
Tangible Capital Assets (Note 5)	30,152	31,462
	$ 60,616	**$ 62,770**
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	$ 65,753	$ 138,068
Deferred Revenue (Note 7)	5,431	5,392
	71,184	**143,460**
Net Liabilities		
Net Assets at Beginning of Year	(80,690)	(20,560)
Net Operating Results	(545,334)	(571,403)
Net Financing Provided from General Revenues	615,456	511,273
Net Liabilities at End of Year	(10,568)	(80,690)
	$ 60,616	**$ 62,770**

Contractual obligations and contingent liabilities (Notes 8 and 9)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014

	2014	2013 (Restated)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (545,334)	$ (571,403)
Non-cash Items Included in Net Operating Results		
Amortization	6,871	6,671
Deferred Capital Contribution recognized as Revenue	(280)	(233)
Unearned Revenue recognized as Revenue	(4,791)	(4,569)
Loss on Disposal of Tangible Capital Assets	7	77
	(543,527)	**(569,457)**
Decrease (Increase) in Accounts Receivable	940	(5,914)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(72,315)	62,092
Unearned Revenue Received	4,375	4,605
Cash Applied to Operating Transactions	**(610,527)**	**(508,674)**
Capital Transactions		
Acquisition of Tangible Capital Assets[1]	(5,613)	(4,316)
Proceeds on Disposal of Tangible Capital Assets	45	21
Cash Applied to Capital Transactions	**(5,568)**	**(4,295)**
Financing Transactions		
Contributions Restricted for Capital	735	1,346
Previously unrecorded net assets	-	245
Net Financing Provided from General Revenues	615,456	511,273
Cash Provided by Financing Transactions	**616,191**	**512,864**
Increase (Decrease) in Cash	**96**	**(105)**
Cash at Beginning of Year	**312**	**417**
Cash at End of Year	**$ 408**	**$ 312**

The accompanying notes and schedules are part of these financial statements.

[1] Includes Capital Asset Transfer from Alberta Livestock and Meat Agency Ltd. of $3 (2013 - $19)

Notes to the Financial Statements for the Year Ended March 31, 2014

Note 1 Authority and Purpose

The Department of Agriculture and Rural Development operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities. The Department is exempt from income taxes under the *Income Tax Act*.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Department of Agriculture and Rural Development, which is part of the Ministry of Agriculture and Rural Development and for which the Minister of Agriculture and Rural Development is accountable. Other entities reporting to the Minister are Agriculture Financial Services Corporation and Alberta Livestock and Meat Agency Ltd. The activities of these organizations are not included in these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government transfers - Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the stipulations together with the department's actions and communications as to the use of the transfers create a liability.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the department is eligible to receive the funds.

Capital Contributions - Restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

Credit or Recovery - Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual Credit or Recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's Credit or Recovery Initiatives.

Expenses

Directly Incurred - Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others - Services contributed by other entities in support of the department operations are not recognized and are disclosed in Schedule 8 and allocated to programs in Schedule 9.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included.

Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major system enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Liabilities

Net liabilities represent the difference between the carrying value of assets held by the department and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty (*in thousands*)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The department's contribution to Agriculture Financial Services Corporation for the department's share of program payments under the AgriInvest, AgriStability and AgriRecovery programs, recorded as $38,163 in these financial statements, is subject to measurement uncertainty. The department's contribution for these programs could change substantially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for AgriStability and AgriInvest program are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of $38,414 to $58,795.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on potential payments for claims not yet processed.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash, Accounts Receivable, and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

(c) Future Accounting Changes

PS 3260 Liability for Contaminated Sites

In June 2010 the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The department would recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. Management does not expect the implementation of this standard to have a significant impact on the financial statements.

Note 3 Restatement of Prior Year Figures
(in thousands)

Net Liabilities, as previously reported	$ 21,005
Tangible Capital Asset additions relating to prior year	(453)
Previously unrecorded net assets	(245)
Accounting Policy Change	253
Net Liabilities, as restated at March 31, 2012	$ 20,560

The change in the opening net liabilities reflects recognition of the net book value of previously unrecorded tangible capital assets in the amount of $453 and net assets in the amount of $245 related to transactions previously managed by an industry partner.

And as a result of capital transfers and restricted capital contributions policy change, capital transfers and restricted capital contributions are recognized as deferred revenue upon receipt and transferred to revenue over the useful life of capital assets based on relevant stipulations by transferring government. As a result, the opening net liabilities have been increased by $253.

Net operating results have been restated to reflect the revenues and expenses that should have been recorded as a result of these transactions as follows:

Net Operating Results, as previously reported at March 31, 2013	$ (570,919)
Previously unrecorded revenue	57
Accounting Policy Change	(541)
Net Operating Results, as restated at March 31, 2013	$ (571,403)

Note 4 Accounts Receivable
(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	Gross Amount	2014 Allowance for Doubtful Accounts	Net Realizable Value	2013 Net Realizable Value (Restated)
Accounts receivable	$ 30,058	$ 268	$ 29,790	$ 30,947
Refunds from suppliers	262	-	262	45
Loans and Advances	5	1	4	4
	$ 30,325	$ 269	$ 30,056	$ 30,996

Note 5 Tangible Capital Assets
(in thousands)

	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2014 Total	2013 Total
Estimated Useful Life	40 years	5 - 10 years	3 - 5 years	35 years		(Restated)
Historical Cost[1]						
Beginning of Year	$ 1,958	$ 53,541	$ 11,646	$ 49,294	$ 116,439	$ 113,044
Additions[2]	66	2,135	3,420	-	5,621	4,342
Disposals	-	(471)	(854)	(322)	(1,647)	(947)
	2,024	55,205	14,212	48,972	120,413	116,439
Accumulated Amortization						
Beginning of Year	526	33,452	5,792	45,207	84,977	79,129
Amortization Expense[2]	49	3,771	1,655	1,404	6,879	6,697
Effect of Disposals	-	(448)	(845)	(302)	(1,595)	(849)
	575	36,775	6,602	46,309	90,261	84,977
Net Book Value at March 31, 2014	$ 1,449	$ 18,430	$ 7,610	$ 2,663	$ 30,152	
Net Book Value at March 31, 2013	$ 1,432	$ 20,089	$ 5,854	$ 4,087	$ 31,462	$ 31,462

(1) Historical cost includes work-in-progress at March 31, 2014 totaling $4,079 comprised of: equipment $907 (2013 - $1,129) and computer hardware and software $3,172 (2013 - $776).
(2) Includes transfer of computer hardware from Alberta Livestock and Meat Agency Ltd. comprised of historical cost of $11 and accumulated amortization of $8.

Note 6 Accounts Payable and Accrued Liabilities
(in thousands)

	2014	2013
Accounts Payable – General	$ 186	$ 988
Manpower	12,742	10,987
Grants	49,192	122,610
Supplies and Services and Capital Purchases	3,633	3,483
	$ 65,753	$ 138,068

Note 7 Deferred Revenue
(in thousands)

	2014	2013 (Restated)
Unearned Revenue (i)	$ 2,799	$ 3,215
Spent deferred capital contributions (ii)	2,632	2,177
	$ 5,431	$ 5,392
(i) Unearned Revenue		
Balance, beginning of year	$ 3,215	$ 3,179
Received/receivable during year	4,375	4,605
Less amounts recognized as revenue	(4,791)	(4,569)
Balance, end of year	$ 2,799	$ 3,215
(ii) Spent deferred capital contributions		
Balance, beginning of year	$ 2,177	$ 1,064
Tangible capital assets received/receviable during year	735	1,346
Less amounts recognized as revenue	(280)	(233)
Balance, end of year	$ 2,632	$ 2,177

Note 8 Contingent Liabilities
(in thousands)

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate.

The department has been named in one (2013: one) claim of which the outcome is not determinable. This claim has a specified amount totalling $300 (2013: $500). This claim is covered in whole by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

Note 9 Contractual Obligations
(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2014	2013
Obligations under Operating Leases, Contracts and Programs	$ 23,759	$ 28,024
	$ 23,759	$ 28,024

Estimated payment requirements for each of the next five years are as follows:

Obligations Under Operating Leases, Contracts and Programs

	Total
2014-15	$ 15,798
2015-16	6,320
2016-17	1,226
2017-18	382
2018-19	33
	$ 23,759

Note 10 Guarantees
(in thousands)

	2014	2013	Expiry Date
Feeder Associations	$ 48,417	$ 46,544	Ongoing
	$ 48,417	$ 46,544	

Guarantee programs and their limits are established under the following Acts:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million)
- *Rural Utilities Act* (authorized guarantee limit set by statute is $50 million). There are currently no outstanding guarantees under this act.

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower.

Note 11 Trust Funds Under Administration
(in thousands)

The department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the department's financial statements.

As at March 31, 2014 trust funds under administration were as follows:

	2014	2013
4-H General Trust	$ 110	$ 98
Wheat Board Monies Trust Fund	-	123
Claude Gallinger Memorial Trust Fund	21	21
	$ 131	$ 242

Responsibility for the administration of the Wheat Board Monies Trust Fund was transferred to the Ministry of Innovation and Advanced Education, Heritage Scholarship Trust on January 31, 2014.

Note 12 Benefit Plans
(in thousands)

The department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $10,842 for the year ended March 31, 2014 (2013 – $10,161). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2013, the Management Employees Pension Plan reported a surplus of $50,457 (2012 deficiency - $303,423), the Public Service Pension Plan reported a deficiency of $1,254,678 (2012 deficiency - $1,645,141) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $12,384 (2012 deficiency - $51,870).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2014, the Bargaining Unit Plan reported an actuarial surplus of $75,200 (2013 surplus - $51,717) and the Management, Opted Out and Excluded Plan an actuarial surplus of $24,055 (2013 surplus - $18,327). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 13 Comparative Figures

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

Note 14 Approval of the Financial Statements

The financial statements were approved by the senior financial officer and the deputy minister.

Schedule 1

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

REVENUES

YEAR ENDED MARCH 31, 2014

	2014 Constructed Budget	2014 Actual	2013 Actual (Restated)
		(in thousands)	
Government of Alberta Grants	$ 500	$ 1,715	$ 1,423
Federal Government Grants			
BSE Surveillance	2,000	1,255	518
Growing Forward	38,860	34,019	29,372
AgriFlex	1,179	671	1,701
Other	-	332	185
	42,039	36,277	31,776
Premiums, Fees and Licenses			
Food Processing Centre Fees	800	939	911
Livestock Water Program	180	77	113
Meat Services	139	154	144
Other	94	327	389
	1,213	1,497	1,557
Other Revenue			
Project Contributions	4,321	3,473	4,631
Rail Hopper Car Revenue	1,500	844	1,079
Green Certificate and Home Study	400	297	420
Publications	225	242	261
Refunds of Expenditures Previous Years	-	1,691	470
Surplus Sales	-	72	43
Miscellaneous	323	995	1,007
	6,769	7,614	7,911
Total Revenues	$ 50,521	$ 47,103	$ 42,667

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

CREDIT OR RECOVERY

YEAR ENDED MARCH 31, 2014

	2014				
	Authorized [2]	Actual Revenue Recognized	Deferred Revenue (in thousands)	Actual Cash/Donation Received/ Receivable	(Shortfall)/ Excess
Program Operating					
Ministry Support Services	$ 250	$ 256	$ -	$ 256	$ 6
Agriculture Policy and Economics	2,442	767	-	767	(1,675)
Agriculture Environment and Water	8,141	9,712	-	9,712	1,571
Rural and Regulatory Services	462	296	-	296	(166)
Industry Development	24,797	21,158	-	21,158	(3,639)
Food Safety and Animal Health	11,130	10,545	-	10,545	(585)
	$ 47,222	$ 42,734	$ -	$ 42,734	$ (4,488) [1]
Program Capital Investments					
Ministry Support Services	$ -	$ -	$ -	$ -	$ -
Agriculture Policy and Economics	-	-	-	-	-
Agriculture Environment and Water	-	-	87	87	87
Rural and Regulatory Services	-	-	-	-	-
Industry Development	1,549	-	648	648	(901)
Food Safety and Animal Health	-	-	-	-	-
	$ 1,549	$ -	$ 735	$ 735	$ (814) [1]

Ministry Support Services credit or recovery initiatives include fees for sale of publications ($230) and farm implement dealers' licenses ($26).

Agriculture Policy and Economics credit or recovery initiatives include federal revenue under the Growing Forward Agreement ($767).

Agriculture Environment and Water credit or recovery initiatives include federal revenue under the Growing Forward Agreement ($8,486) and Agriflex ($490), fees and contributions for Irrigation and Farm Water Program ($228), contributions for Environmental Stewardship ($508).

Rural and Regulatory Services credit or recovery initiatives include fees and contributions for Regulatory Services ($287), Rural Utilities ($7) and external contributions to other projects and initiatives ($2).

Industry Development credit or recovery initiatives include federal revenue under the Growing Forward Agreement ($14,328) and Agriflex ($181), fees and contributions for Research and Extension ($5,115), Food Processing Development ($1,510) and external contributions to other projects and initiatives ($24).

Food Safety and Animal Health credit or recovery initiatives include federal revenue under the Growing Forward Agreement ($10,438), fees and contributions for Food Safety and Animal Health ($107).

The revenue of each initiative is included in the Statement of Operations.

[1] Shortfall is deducted from current year's authorized budget, as disclosed in Schedule 5 to the financial statements.

[2] Authorized budget includes credit or recovery increases approved by Treasury Board on October 23, 2013 and December 19, 2013. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.
Only expenditures are authorized.

Schedule 3

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2014

	2014		2013
	Constructed Budget	Actual	Actual (Restated)
		(in thousands)	
Salaries, Wages and Employee Benefits	$ 96,659	$ 98,218	$ 96,881
Supplies and Services	36,432	28,199	28,364
Grants	449,369	459,049	482,017
Amortization of Tangible Capital Assets	7,000	6,872	6,671
Other	-	99	136
	$ 589,460	$ 592,437	$ 614,069

Schedule 4

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

BUDGET RECONCILIATION

YEAR ENDED MARCH 31, 2014

	2013-14 Estimate	Adjustment to Conform to Accounting Policy (in thousands)	2013-14 Constructed Budget
Revenues			
Government of Alberta Grants	$ 500	$ -	$ 500
Federal Government Grants	42,039	-	42,039
Premiums, Fees and Licenses	1,213	-	1,213
Other Revenue	6,669	100	6,769
	50,421	100	50,521
Expenses - Directly Incurred			
Programs			
Ministry Support Services	17,063	-	17,063
Agriculture Policy and Economics	12,954	-	12,954
Agriculture Environment and Water	31,299	19,000	50,299
Rural and Regulatory Services	16,176	3,900	20,076
Industry Development	118,655	-	118,655
Food Safety and Animal Health	36,439	-	36,439
Farm Fuel Distribution Allowance	-	-	-
Agriculture Insurance and Lending Assistance	310,414	-	310,414
Livestock and Meat Strategy	23,560	-	23,560
	566,560	22,900	589,460
Net Operating Results	$ (516,139)	$ (22,800)	$ (538,939)
Capital Spending	$ 24,196	$ (22,900)	$ 1,296

Schedule 5

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

LAPSE/ENCUMBRANCE

YEAR ENDED MARCH 31, 2014

Program - Operational		Voted Estimate [1]	Supplementary Estimate [2]	Adjustments [3]	Adjusted Voted Estimate	Voted Actuals [4]	Unexpended (Over Expended)
		(in thousands)					
1	Ministry Support Services						
1.1	Minister's Office	$ 707	$ -	$ -	$ 707	$ 620	$ 87
1.2	Deputy Minister's Office	748	-	-	748	861	(113)
1.3	Farmers' Advocate	1,028	-	-	1,028	882	146
1.4	Corporate Services	11,429	-	(1,300)	10,129	11,062	(933)
1.5	Communications	426	-	-	426	308	118
1.6	Human Resources	1,795	-	-	1,795	2,256	(461)
		16,133	-	(1,300)	14,833	15,989	(1,156)
2	Agriculture Policy and Economics						
2.1	Alberta Grains Council	277	-	-	277	220	57
2.2	Economics and Competitiveness	3,850	-	-	3,850	3,783	67
2.3	Policy, Strategy and Intergovernmental Affairs	7,277	-	(500)	6,777	5,626	1,151
		11,404	-	(500)	10,904	9,629	1,275
3	Agriculture Environment and Water						
3.1	Irrigation and Farm Water	11,630	-	-	11,630	12,000	(370)
3.2	Environmental Stewardship	18,949	-	(950)	17,999	18,957	(958)
		30,579	-	(950)	29,629	30,957	(1,328)
4	Rural and Regulatory Services						
4.1	Marketing Council	858	-	-	858	777	81
4.2	Rural Development	1,624	-	-	1,624	1,575	49
4.3	Rural Utilities	2,616	-	-	2,616	2,711	(95)
4.4	Regulatory Services	11,018	-	-	11,018	10,809	209
		16,116	-	-	16,116	15,872	244
5	Industry Development						
5.1	International Marketing and Investment Attraction	3,793	-	-	3,793	2,891	902
5.2	Research and Innovation	22,155	-	101	22,256	20,782	1,474

Schedule 5 (continued)

		Voted Estimate [1]	Supplementary Estimate [2]	Adjustments [3]	Adjusted Voted Estimate	Voted Actuals [4]	Unexpended (Over Expended)
5.3	Food Processing Development	6,545	-	-	6,545	6,357	188
5.4	Rural Extension and Industry Development	40,042	-	200	40,242	33,973	6,269
5.5	Major Fairs and Exhibitions	22,140	-	-	22,140	22,140	-
5.6	Agricultural Service Boards	11,600	-	-	11,600	11,582	18
5.7	Agricultural Societies	8,670	-	-	8,670	8,688	(18)
5.8	Agriculture Initiatives	1,450	-	-	1,450	1,449	1
		116,395	-	301	116,696	107,862	8,834
6	Food Safety and Animal Health						
6.1	Food Safety and Animal Health	24,110	-	(235)	23,875	23,131	744
6.2	Food Chain Traceability	5,094	-	(200)	4,894	4,644	250
6.3	Surveillance Support	5,755	-	(915)	4,840	3,617	1,223
		34,959	-	(1,350)	33,609	31,392	2,217
7	Farm Fuel Distribution Allowance	-	-	-	-	-	-
8	Agriculture Insurance and Lending Assistance						
8.1	Lending Assistance	16,290	-	-	16,290	16,290	-
8.2	Insurance	229,672	-	-	229,672	269,625	(39,953)
8.3	Wildlife Damage	3,827	-	-	3,827	4,878	(1,051)
8.4	AgriStability	60,625	-	-	60,625	37,884	22,741
8.5	AgriRecovery	-	-	-	-	-	-
		310,414	-	-	310,414	328,677	(18,263)
9	Livestock and Meat Strategy	23,560	-	-	23,560	22,333	1,227
10	2013 Alberta Flooding						
10.1	Flood Recovery Interest Rebates	-	4,115	-	4,115	97	4,018
10.2	Flood Recovery Loan Guarantees	-	15,000	-	15,000	17	14,983
		-	19,115	-	19,115	114	19,001
	Credit or Recovery (Shortfall) (Schedule 2)	-	-	(4,488)	(4,488)	-	(4,488)
Total		$ 559,560	$ 19,115	$ (8,287)	$ 570,388	$ 562,825	$ 7,563
Lapse/(Encumbrance)							$ 7,563

Schedule 5 (continued)

	Program - Capital	Voted Estimate [1]	Supplementary Estimate [2]	Adjustments [3]	Adjusted Voted Estimate	Voted Actuals [4]	Unexpended (Over Expended)
1	Ministry Support Services						
1.4	Corporate Services	$ 100	$ -	$ 1,575	$ 1,675	$ 1,424	$ 251
2	Agriculture Policy and Economics						
2.3	Policy, Strategy and Intergovernmental Affairs	-	-	1,200	1,200	866	334
3	Agriculture Environment and Water						
3.1	Irrigation and Farm Water	200	-	235	435	376	59
3.2	Environmental Stewardship	-	-	250	250	224	26
3.3	Irrigation Infrastructure Assistance	19,000	-	-	19,000	19,000	-
4	Rural and Regulatory Services						
4.2	Rural Development	-	-	290	290	290	-
4.3	Rural Utilities	3,900	-	-	3,900	3,900	-
4.4	Regulatory Services	-	-	-	-	10	(10)
5	Industry Development						
5.1	International Marketing and Investment Attraction	-	-	-	-	13	(13)
5.2	Research and Innovation	350	-	1,249	1,599	1,547	52
5.3	Food Processing Development	266	-	200	466	461	5
5.4	Rural Extension and Industry Development	-	-	-	-	9	(9)
6	Food Safety and Animal Health						
6.1	Food Safety and Animal Health	380	-	-	380	230	150
6.2	Food Chain Traceability	-	-	200	200	230	(30)
6.3	Surveillance Support	-	-	350	350	220	130
	Credit or Recovery (Shortfall) (Schedule 2)	-	-	(814)	(814)	-	(814)
Total		$ 24,196	$ -	$ 4,735	$ 28,931	$ 28,800	$ 131
	Lapse/(Encumbrance)						$ 131

(1) As per "Voted Expense by Program" and "Voted Capital Investment by Program" page 22-23 of 2013-14 Government Estimates

(2) Per the Supplementary Supply Estimates approved on December 11, 2013.

(3) Adjustments include credit or recovery increases approved by Treasury Board and credit or recovery shortfalls.
Credit or recovery increases were approved on October 23, 2013, December 19, 2013 and February 5, 2014.
Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

(4) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

Schedule 6

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

LOTTERY FUND ESTIMATES

YEAR ENDED MARCH 31, 2014

	2013-14 Lottery Fund Estimates	2013-14 Actual (in thousands)	Unexpended (Over Expended)
Major Fairs and Exhibitions	$ 22,140	$ 22,140	$ -
Agricultural Service Boards	11,600	11,582	18
Agricultural Societies	8,670	8,670	-
Agriculture Initiatives	1,450	1,449	1
	$ 43,860	$ 43,841	$ 19

The revenue of the Lottery Fund was transferred to the Department of Treasury Board and Finance on behalf of the General Revenue Fund in 2011-12. Having been transferred to the General Revenue Fund, these monies then become part of the department's supply vote. This table shows details of the initiatives within the department that are funded by the Lottery Fund and compares it to the actual results.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2014

	2014				2013
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Department					
Deputy Minister[4][5]	$ 230,881	61,178	51,158	$ 343,217	$ 328,383
Assistant Deputy Ministers					
Policy and Environment[5]	$ 163,460	27,082	48,885	$ 239,427	$ 255,721
Industry and Rural Development	$ 181,391	1,850	52,710	$ 235,951	$ 171,652
Food Safety and Technology	$ 184,114	1,850	53,510	$ 239,474	$ 240,381
Executive Directors					
Human Resources	$ 157,910	1,850	44,856	$ 204,616	$ 201,127
Senior Financial Officer	$ 149,350	4,711	44,441	$ 198,502	$ 209,027
Senior Policy Advisor[6]	$ 60,012	3,472	17,260	$ 80,744	$ -
Boards and Agencies					
Farmers' Advocate	$ 197,387	1,850	7,119	$ 206,356	$ 206,971
General Manager, Agricultural Products Marketing Council[7]	$ 123,762	4,221	34,301	$ 162,284	$ 149,596

Prepared in accordance with Treasury Board Directive 12/98 as amended.

[1] Base salary includes regular salary and earnings such as acting pay.

[2] Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2014.

[3] Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans and professional memberships.

[4] Automobile provided through part of the year, no dollar amount included in other non-cash benefits. Automobile allowance provided through remainder of the year, included in Other Cash Benefits.

[5] The position was occupied by two individuals at different times during the year.

[6] The position was created October 31, 2013.

[7] The incumbent also occupies the position of General Manager, Alberta Grains Council (20%). Full Salary and benefits are disclosed in this schedule.

Schedule 8

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2014
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2014	2013	2014	2013
Revenues				
Grants	$ 895	$ 1,096	$ -	$ -
Other	-	-	820	513
	$ 895	$ 1,096	$ 820	$ 513
Expenses - Directly Incurred				
Grants	$ 356,481	$ 342,701	$ 652	$ 1,069
Other services	-	-	3,224	2,353
	$ 356,481	$ 342,701	$ 3,876	$ 3,422
Tangible Capital Assets Transferred In				
Alberta Livestock and Meat Agency	$ 3	$ 19	$ -	$ -
	$ 3	$ 19	$ -	$ -
Payable to				
Agriculture Financial Services Corporation	$ 40,173	$ 110,445	$ -	$ -
Alberta Livestock and Meat Agency	6,690	8,788	-	-
Ministry of Innovation and Advanced Education	-	-	51	198
Ministry of Treasury Board and Finance	-	-	1	7
Ministry of International and Intergovernmental Relations	-	-	-	35
Ministry of Infrastructure	-	-	66	-
	$ 46,863	$ 119,233	$ 118	$ 240
Receivable from				
Agriculture Financial Services Corporation	$ 520	$ 500	$ -	$ -
Alberta Livestock and Meat Agency	640	749	-	-
Ministry of Innovation and Advanced Education	-	-	-	103
	$ 1,160	$ 1,249	$ -	$ 103
Deferred Revenue from				
Agriculture Financial Services Corporation	$ 476	$ 433	$ -	$ -
Ministry of Innovation and Advanced Education	-	-	169	439
Ministry of Education	-	-	1,316	1,041
	$ 476	$ 433	$ 1,485	$ 1,480

The department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 9.

	Entities in the Ministry		Other Entities	
	2014	2013	2014	2013
Expenses - Incurred by Others				
Accommodation	$ -	$ -	$ 24,544	$ 24,160
Legal	-	-	1,137	1,120
Other services	-	-	4,631	5,445
	$ -	$ -	$ 30,312	$ 30,725

Note: The Department receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Schedule 9

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

ALLOCATED COSTS

YEAR ENDED MARCH 31, 2014
(in thousands)

Program	2014 Expenses[1]	2014 Expenses - Incurred by Others: Accommodation Costs[2]	Legal Services[3]	Service Alberta[4]	Air Services[5]	Corporate Internal Audit Services[6]	Learning Centre[7]	2014 Total Expenses	2013 Total Expenses (Restated)
Ministry Support Services	$ 16,834	$ 2,659	$ 347	$ 4,353	$ 143	$ 102	$ 4	$ 24,442	$ 24,271
Agriculture Policy and Economics	$ 11,185	2,001	29	-	-	-	3	$ 13,218	$ 17,092
Agriculture Environment and Water	$ 50,522	3,879	85	-	-	-	5	$ 54,491	$ 52,610
Rural and Regulatory Services	$ 19,888	2,879	121	-	-	-	4	$ 22,892	$ 27,973
Industry Development	$ 110,265	9,954	222	-	-	-	13	$ 120,454	$ 116,752
Food Safety and Animal Health	$ 32,618	3,172	333				4	$ 36,127	$ 33,257
Farm Fuel Distribution Allowance	$ -	-	-	-	-	-	-	$ -	$ 35,223
Livestock and Meat Strategy	$ 22,333	-	-	-	-	-	-	$ 22,333	$ 30,022
2013 Alberta Flooding	$ 114	-	-	-	-	-	-	$ 114	$ -
Agriculture Insurance and Lending Assistance									
Insurance and Lending	$ 290,793	-	-	-	-	-	-	$ 290,793	$ 247,498
Income Stabilization	$ 37,885	-	-	-	-	-	-	$ 37,885	$ 60,103
	$ 592,437	$ 24,544	$ 1,137	$ 4,353	$ 143	$ 102	$ 33	$ 622,749	$ 644,801

[1] Expenses - Directly Incurred as per Statements of Operations.

[2] Costs shown for Accommodation on Schedule 8, allocated by budgeted full-time equivalent employment.

[3] Costs shown for Legal Services on Schedule 8, allocated by estimated costs incurred by each program.

[4] Costs shown for Service Alberta on Schedule 8 (Other services), allocated by estimated costs incurred by each program.

[5] Costs shown for Air Transportation on Schedule 8 (Other services), allocated by estimated costs incurred by each program.

[6] Costs shown for Corporate Internal Audit Services on Schedule 8 (Other services), allocated by estimated costs incurred by each program.

[7] Costs shown for Learning Centre on Schedule 8 (Other services), allocated by budgeted full-time equivalent employment.

AGRICULTURE FINANCIAL SERVICES CORPORATION

FINANCIAL STATEMENTS
Year ended March 31, 2014

Independent Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Operations

Schedule of Salaries and Benefits

Independent Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Agriculture Financial Services Corporation, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agriculture Financial Services Corporation as at March 31, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 4, 2014
Edmonton, Alberta

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014
(dollars in thousands)

	2014	2013
ASSETS		
Cash	$ 232,017	$ 261,039
Accounts receivable (Note 3)	11,992	10,877
Due from Government of Alberta	40,176	110,445
Due from Government of Canada	116,260	147,835
Loans receivable (Note 4)	1,954,399	1,777,381
Investments (Note 5)	1,634,743	1,119,771
Tangible capital assets (Note 6)	43,959	45,190
	$ 4,033,546	$ 3,472,538
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	$ 16,719	$ 22,839
Indemnities payable (Note 8)	133,828	202,743
Borrowing from Government of Alberta (Note 9)	1,946,568	1,808,219
Deferred revenue (Note 10)	23,978	27,578
	2,121,093	2,061,379
NET ASSETS		
Net assets at beginning of year	1,411,159	1,350,581
Adjustment to opening net assets (Note 2)	-	(14,205)
Net operating results	501,294	74,783
Net assets at end of year	1,912,453	1,411,159
	$ 4,033,546	$ 3,472,538

The accompanying notes and schedules are part of these financial statements.

Approved by the Board:

George Groeneveld, Chair of the Board

Bill Daye, Chair of the Board Audit Committee

Brad Klak, President and Managing Director

Darryl Kay, Chief Financial Officer

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2014

(dollars in thousands)

	2014		2013
	Budget	Actual (Schedule 1)	Actual
Revenues:			
Premiums from insured persons	$ 313,216	$ 378,967	$ 314,114
Interest	93,580	85,149	80,485
Contribution from Government of Alberta	310,414	328,198	306,878
Contribution from Government of Canada	276,860	258,570	245,737
Investment income	30,397	32,810	30,598
Fees and other income	12,569	14,200	24,189
	1,037,036	1,097,894	1,002,001
Expenses:			
AgriInsurance	366,208	371,944	616,863
Agriculture Income Support	139,709	73,151	112,142
Lending	113,056	90,471	103,987
Hail Insurance	49,089	42,576	64,111
Livestock Insurance	6,313	8,740	24,859
Wildlife Damage Compensation	7,491	9,718	5,256
	681,866	596,600	927,218
Net operating results	$ 355,170	$ 501,294	$ 74,783

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014

(dollars in thousands)

	2014	2013
Operating activities:		
Net operating results	$ 501,294	$ 74,783
Non-cash items included in operating results		
Amortization of capital assets	9,516	8,582
Deferred capital contribution recognized as revenue	(4,838)	(3,184)
Amortization of premiums and discounts	7,499	5,694
Unearned revenue recognized as revenue	(11,566)	(12,976)
Allowance for doubtful accounts and for losses	(3,273)	10,102
Gain on sale of investments	(3,907)	(2,972)
Loss on disposal of capital assets	1	(46)
Unearned revenue received	5,732	11,566
Changes in assets and liabilities relating to operations	23,836	(7,656)
Net cash provided by operating activities[1]	524,294	83,893
Investing activities:		
Proceeds from repayments of loans receivable	327,660	316,571
Loan disbursements	(502,067)	(502,915)
Purchase of investments	(1,088,998)	(524,675)
Proceeds on disposal of investments	574,696	483,866
Net cash utilized by investing activities	(688,709)	(227,153)
Capital activities:		
Purchase of tangible capital assets	(8,286)	(7,244)
Proceeds on disposal of tangible capital assets	-	46
Net cash utilized by capital activities	(8,286)	(7,198)
Financing activities:		
Borrowing from the Government of Alberta	330,000	355,000
Contributions restricted for capital	7,072	4,991
Repayment of borrowing from the Government of Alberta	(193,393)	(226,053)
Net cash provided by financing activities	143,679	133,938
Net decrease in cash during the year	(29,022)	(16,520)
Cash at beginning of year	261,039	277,559
Cash at end of year	$ 232,017	$ 261,039

[1] Net cash provided by operating activities includes $69,691 (2013 $68,397) of interest paid.

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

(dollars in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000.

The Corporation provides income stabilization, disaster assistance, AgriInsurance, livestock price insurance and loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAB).

Basis of Financial Reporting:

(a) Revenue Recognition

Premiums from insured persons are recorded as revenue when earned over the insurance policy contract term for AgriInsurance and Hail Insurance programs. A corresponding premium contribution from the Governments of Canada and Alberta is also recognized on policies sold under the AgriInsurance programs and is included in Contributions from the Governments of Canada and Alberta. Premiums received by the Corporation in advance of the related policy term are recorded as deferred revenue until earned.

For the Livestock Price Insurance Program premiums are recorded as revenue when a policy is sold.

Government transfers from the Governments of Canada and Alberta are referred to as government contributions. Contributions from the Governments of Canada and Alberta for estimated compensation payments to participants under Agriculture Income Support Programs such as AgriStability (formerly the Canadian Agriculture Income Stabilization (CAIS)), AgriInvest, AgriRecovery and Wildlife Damage Compensation are recognized in the period in which the program payments to producers are determinable. Overpayments of compensation payments under the AgriStability program are recovered through repayment or the reduction of future eligible payments under the program or other programs administered by the Corporation. Overpayments are repayable to the Governments of Canada and Alberta.

Contributions received from the Governments of Canada and Alberta that are restricted for the acquisition of tangible capital assets are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired tangible capital assets.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Revenue Recognition (continued)

Interest income on loans receivable is recognized as earned over the period of loan repayment except for impaired loans. At the date impairment is assessed, arrears of interest is derecognized and is not accrued until the loan reverts to performing status or is terminated. When an impaired loan is reverted to performing status, interest is accrued and recognized from the date of change in status of the loan. Interest previously unrecognized is recognized only when payment is received.

Investment income is recognized in the period in which the income is earned. Gains or losses on the value on investments are recognized when realized on disposition.

Fees which are primarily from lending activities and AgriStability applications are recognized on processing of the related application. AgriStability program application fees received in advance of the program commencement date are recorded as deferred revenue until earned.

(b) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed. Interest expense includes debt servicing costs such as amortization of discounts and premiums, foreign exchange gains and losses, and issuance costs.

Identifiable administrative expenses for all of the programs administered by AFSC are charged directly to the specific program. Where the direct charging of the administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by management.

(c) Net Assets

Net assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Valuation of Financial Assets and Liabilities

AFSC's financial assets and liabilities include cash, receivables, loans receivable, investments, accounts payable and accrued liabilities, indemnities payable, borrowing from the Government of Alberta and deferred revenue. All Financial instruments are held at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

Since no financial assets or liabilities are recorded at fair value and there were no foreign currency transactions, these statements do not present a Statement of Re-measurement Gains and Losses as the Corporation has no re-measurement gains or losses.

Fair values of loans receivable are not disclosed. Loans receivable consists of developmental loans with uncommon terms such as interest rate rebates/incentives, concessionary interest rates, prepayment (in part or full) with no penalties applicable to all loans, fixed interest rates with longer terms and loans with relatively higher financial risks. Determining the fair values of loans receivable with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

(e) Measurement Uncertainty

There is an inherent degree of uncertainty associated with the measurement of certain amounts recognized or disclosed in the financial statements. In the preparation of the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets, liabilities, net assets and related disclosures. Estimates of material amounts relate to Indemnities payable and Allowances for doubtful accounts and for losses on Accounts receivable and Loans receivable. Accordingly, actual results could differ from these and other estimates thereby impacting future financial statements. Disclosure of the nature and circumstances giving rise to the uncertainty, have been disclosed in the relevant notes in the financial statements (See Notes 3, 4 and 8).

(f) Cash

Cash consists of bank balances. Interest is earned on bank balances as part of funds managed by the Government of Alberta and is included in investment income.

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses

Loans are recorded at the lower of cost and net recoverable value. Amounts included in the cost of loan receivable include principal not due, arrears of principal and interest, accrued interest and capitalized other costs.

The Corporation records valuation allowances to reduce the cost of impaired loans to their net realizable value. A loan is classified as impaired when collection of principal and interest is no longer reasonably assured. Two types of allowances are established for loans receivable.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses (continued)

Specific allowance – a specific allowance is established after a loan-by-loan review of accounts meeting prescribed criteria indicative of a potential deterioration in the credit quality of debt. The specific allowance for each loan is determined as the difference between the loan principal amount outstanding and the discounted net present value of the related security net of the cost of realization. Changes in net realizable value of security subsequent to the recording of the initial allowance are adjusted through the specific allowance.

General allowance – two types of general allowance are recorded. The first type is for estimated potential losses relating to deterioration in the full recoverability of individual loan accounts which have not yet met management's criteria for setting up a specific allowance at the balance sheet date. A methodology is applied to determine the Corporation's risk exposure to potential losses on individual loan accounts not subject to a specific allowance. The second type is for the aggregate amount owing for individual loans under a specific program or industry sector or a geographical area. In determining the allowance, management considers economic and market conditions and uncertainties affecting recoverability of such loans.

Loans are written off against the related allowance for doubtful accounts and for losses if there is no realistic prospect of future recovery. Any recovery of amounts previously written off is recognized on receipt of proceeds.

(h) Concessionary Loans and Loan Discounts

A loan is considered to have concessionary terms when at inception of the loan, the net present value of expected future cash flows is less than present book value. Book values of concessionary loans are reduced to their net present values by loan discounts expensed in the year in which loans are disbursed and amortized to interest revenue over the period of the concessionary term in proportion to loan repayments received.

(i) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments; then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the effective interest rate method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(j) Borrowing from Government of Alberta

Borrowing is carried at amortized cost. Premiums and discounts on borrowing are amortized to interest expense using the effective yield method over the period to maturity.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) Tangible Capital Assets including Capital Leases

Tangible capital assets of the Corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. An asset acquired, other than computer software, with a life of more than one year and a cost of $5 or more is capitalized. Computer software acquired from external sources at a cost of $100 or more and software developed by the Corporation costing $500 or more are capitalized.

Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incidental to the ownership of the asset to the Corporation are considered capital leases. These are accounted for as an asset and an obligation. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs. The discount rate used to determine the present value of the lease payments is the Corporations incremental borrowing rate.

(l) AgriStability, AgriInvest and AgriRecovery Program

Payments under the programs to participants, administration expenses and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% for AgriStability and AgriRecovery programs because the programs are delivered by the Corporation and at 40% for AgriInvest program because the program is delivered by Agriculture and Agri-Food Canada.

(m) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the AgriInsurance net assets of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement between the Governments of Canada and Alberta (see Note 15).

In addition, the Corporation carries reinsurance through private reinsurance companies for AgriInsurance and Hail insurance programs. Amounts recoverable from private reinsurers on premiums and indemnities are recorded in Accounts receivable.

Reinsurance recoveries are reported gross; they are included in fees and other revenue. Reinsurance expenses are reported at gross amounts and are separately disclosed in Schedule 1.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(n) AgriInsurance Net Assets Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, amounts in the AgriInsurance net assets are restricted for AgriInsurance purposes only.

(o) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements are comprised of the cost of employer contributions for the current year service of employees.

(p) Transactions with Related Parties

The Government of Alberta significantly influences the programs delivered by the Corporation and is a major contributor to the funding of the programs. Therefore, the Government is considered a related party. All related party transactions with the Government of Alberta have been recorded at the exchange amount which is the consideration paid or received as agreed to by the related party (see Note 14).

(q) Prior Year Adjustment to Opening Net Assets

Effective April 1, 2012 the Corporation changed its policy for recording contributions received from the Federal and Provincial governments that are restricted for the acquisition of tangible capital assets. Previously, restricted capital contributions were recorded as revenue when the tangible capital assets were acquired. As a result of this policy change, restricted capital contributions are recognized as deferred revenue upon receipt and amortized to revenue over the useful life of capital assets. This policy was adopted retroactively without restatement of comparatives. The opening net assets for the prior year decreased by $14,205.

(dollars in thousands)

Note 3 Accounts Receivable

	2014	2013
AgriStability & Canadian Agricultural Income Stabilization (CAIS) programs:		
Overpayments	$ 19,434	$ 19,361
Administration fees	549	613
Premiums from insured persons		
AgriInsurance program	2,020	7,368
Livestock insurance program	2,918	561
Hail insurance program	379	196
Amounts due under Western Livestock Price insurance program	1,368	-
Other	4,942	2,665
	31,610	30,764
Allowances for doubtful accounts		
At beginning of year	(19,887)	(21,611)
Decrease (increase) for this year	70	1,469
Write offs, net of recoveries	199	255
At end of year	(19,618)	(19,887)
	$ 11,992	$ 10,877

Included in the allowances for doubtful accounts is $19,434 (2013 $19,361) representing the amount of overpayments under AgriStability and CAIS programs in recognition of the Corporation's role as an agent for collection. Also included in the allowances is $184 (2013 $526) for premiums from insured persons. The allowance for doubtful accounts is subject to measurement uncertainty as it is an estimate based on management's assessment of collectability of outstanding balance. Actual write-offs realized in future periods could be materially different from management's estimates.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 4 Loans Receivable

Loans receivable are comprised of the following:

	2014			2013
	Farm	Commercial	Total	Total
Performing loans - non concessionary	$ 1,475,764	$ 447,741	$ 1,923,505	$ 1,745,540
Performing loans - concessionary	7,274	-	7,274	10,373
Impaired loans	4,576	25,459	30,035	33,787
	1,487,614	473,200	1,960,814	1,789,700
Accrued interest	24,065	2,201	26,266	25,199
Loan discount	(90)	-	(90)	(126)
	1,511,589	475,401	1,986,990	1,814,773
Allowances	(11,888)	(20,703)	(32,591)	(37,392)
Net carrying value	$ 1,499,701	$ 454,698	$ 1,954,399	$ 1,777,381

Impaired loans balance includes $1,480 (2013 $1,480) for properties held for sale acquired as a result of foreclosure actions.

All loans have fixed interest rates for the term of loan or renewal period.

Loans have blended repayments during the term. Loans can be repaid in full or part during the term without any penalty.

Allowances for doubtful accounts for loans are as follows:

	Farm	Commercial	2014	2013
At beginning of year	$ 14,255	$ 23,287	$ 37,542	$ 34,168
Increase (decrease) for the year	(2,164)	(1,039)	(3,203)	11,569
Write-offs	(203)	(1,545)	(1,748)	(8,345)
At end of year	$ 11,888	$ 20,703	$ 32,591	$ 37,392
Specific allowance	$ 1,283	$ 14,339	$ 15,622	$ 17,447
General allowance	10,605	6,364	16,969	19,945
	$ 11,888	$ 20,703	$ 32,591	$ 37,392

Valuation allowances of receivables are based on management's best estimate. Actual losses realized may vary significantly from management's estimate.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such assets are $3,749 (2013 $3,326).

Note 4 Loans Receivable (continued)

The composition of the Loans receivable balance by range of effective annual interest rates is as follows:

Effective annual Interest Rate	2014	2013
Less than or equal to 2%	$ 76,218	$ 75,870
2.01% to 3.00%	206,650	158,685
3.01% to 4.00%	501,610	385,337
4.01% to 5.00%	446,125	453,332
5.01% to 6.00%	373,657	322,421
6.01% to 7.00%	289,545	293,929
7.01% to 8.00%	55,365	84,915
Over 8%	11,554	15,085
	1,960,724	1,789,574
Accrued interest	26,266	25,199
Allowance for doubtful accounts	(32,591)	(37,392)
	$ 1,954,399	$ 1,777,381
Weighted average annual interest rate	4.52%	4.67%

Note 5 Investments

	2014	2013
Bonds and debentures:		
Government of Canada, direct and guaranteed	$ 843,492	$ 516,450
Other provincial, direct and guaranteed	135,728	180,011
	979,220	696,461
Corporate securities:		
Asset backed securities, AAA rated	329,595	222,665
Senior bank notes	316,952	193,872
	646,547	416,537
	1,625,767	1,112,998
Accrued interest	8,976	6,773
	$ 1,634,743	$ 1,119,771

The fair value of investments at March 31, 2014 is $1,639,850 (2013 $1,132,523). Fair value is based on quoted market prices excluding accrued interest.

Note 5 Investments (continued)

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]				
	Within 1 Year	1 to 5 Years	6 to 10 Years	2014	2013
Bonds and debentures	$ 117,318	$ 835,991	$ 25,911	$ 979,220	$ 696,461
Yield [2]	0.95%	1.44%	2.23%	1.40%	1.30%
Corporate Securities	-	582,535	64,012	646,547	416,537
Yield [2]	-	1.83%	2.58%	1.90%	1.73%
	117,318	1,418,526	89,923	1,625,767	1,112,998
Accrued interest	625	7,972	379	8,976	6,773
	$ 117,943	$ 1,426,498	$ 90,302	$ 1,634,743	$ 1,119,771

[1] Term to maturity classifications are based on contractual maturity date of the security.

[2] Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 6 Tangible Capital Assets

	Land	Building	Furniture and Fixtures	Computer Equipment and Software		
Estimated Useful Life	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years	2014	2013
Cost						
At beginning of year	$ 347	$ 9,987	$ 7,992	$ 89,166	$ 107,492	$ 101,470
Additions	-	-	2,297	5,989	8,286	7,244
Disposals	-	-	-	(870)	(870)	(1,221)
	347	9,987	10,289	94,285	114,908	107,493
Accumulated amortization						
At beginning of year	-	4,336	4,864	53,103	62,303	54,942
Amortization expense	-	362	949	8,204	9,515	8,582
Disposals	-	-	-	(869)	(869)	(1,221)
	-	4,698	5,813	60,438	70,949	62,303
Net book value at March 31, 2014	$ 347	$ 5,289	$ 4,476	$ 33,847	$ 43,959	
Net book value at March 31, 2013	$ 347	$ 5,651	$ 3,129	$ 36,063		$ 45,190

Computer equipment and software costs include $5,260 (2013 $4,656) of costs incurred that are not amortized because they are still in the development stage.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 7 Accounts Payable and Accrued Liabilities

	2014	2013
Supplies and services	$ 8,090	$ 15,348
Salaries, wages and employee benefits	7,425	6,281
Reinsurance Premiums to Government of Canada	515	543
Other	689	667
	$ 16,719	$ 22,839

Note 8 Indemnities Payable

	2014 (Note 2(m))	2013 (Note 2(m))
AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs		
Current claim year	$ 84,564	$ 131,419
Prior claim years	33,905	36,713
	118,469	168,132
AgriInsurance	11,745	25,955
Wildlife compensation	2,030	1,315
Livestock price insurance	1,415	6,363
Hail insurance	169	978
	$ 133,828	$ 202,743

Estimated indemnities payable of $133,828 and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for AgriStability and AgriInvest program are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of $67,259 to $115,832.

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on potential payments for claims not yet processed.

Indemnities for Livestock Price Insurance Program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 9 Borrowing from Government of Alberta

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing. Repayment of principal is on maturity with the exception of a small number of borrowings which require blended repayments during the term.

The composition of outstanding borrowing from the Government of Alberta by range of effective annual interest rate is as follows:

Effective annual Interest Rate	2014	2013
Less than or equal to 2%	$ 120,000	$ -
2.01% to 3.00%	433,000	383,000
3.01% to 4.00%	784,238	734,238
4.01% to 5.00%	514,751	574,751
5.01% to 6.00%	75,634	99,027
	1,927,623	1,791,016
Accrued interest	14,045	14,266
Unamortized premium	4,900	2,937
	$ 1,946,568	$ 1,808,219
Weighted average annual interest rate	3.62%	3.98%

Principal repayments due in each of the next five years and thereafter are as follows:

Year ending March 31,	2015	$ 45,479
	2016	228,642
	2017	65,506
	2018	68,780
	2019	186,092
	Thereafter	1,333,124
		$ 1,927,623

The estimated fair value of borrowings as at March 31, 2014 is $2,025,893 (2013 $1,945,413). Fair value is an approximation of market value to the holder.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 10 Deferred Revenue

	2014	2013
Unearned revenue	$ 5,732	$ 11,566
Spent deferred capital contributions	18,246	16,012
	$ 23,978	$ 27,578

Unearned revenue

	2014				2013
	Government of Canada	Non-government	Government of Alberta	Total	Total
Balance at beginning of year	$ -	$ 11,566	$ -	$ 11,566	$ 12,976
Received during year	-	5,732	-	5,732	11,566
Less amounts recognized	-	(11,566)	-	(11,566)	(12,976)
Balance at end of year	$ -	$ 5,732	$ -	$ 5,732	$ 11,566

Spent deferred capital contributions

	2014				2013
	Government of Canada	Non-government	Government of Alberta	Total	Total
Balance at beginning of year	$ 9,607	$ -	$ 6,405	$ 16,012	$ 14,205
Transferred capital assets received	3,792	752	2,528	7,072	4,991
Less amounts recognized as revenue	(2,903)	-	(1,935)	(4,838)	(3,184)
Balance at end of year	$ 10,496	$ 752	$ 6,998	$ 18,246	$ 16,012

Unearned revenue represents premiums received from producers for AgriInsurance programs and fees collected for the AgriStability program relating to the next fiscal year. Spent deferred capital contributions represent contributions received from the Federal and Provincial governments that are restricted for the acquisition of tangible capital assets.

Note 11 Pensions

The Corporation participates in the multi-employer Alberta Management Employees Pension Plan and the Alberta Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Alberta Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $6,155 for the year ended March 31, 2014 (2013 $5,479).

At December 31, 2013, the Alberta Management Employees Pension Plan reported a surplus of $50,457 (2012 deficiency $303,423) and the Alberta Public Service Pension Plan reported a deficiency of $1,254,678 (2012 deficiency $1,645,141). At December 31, 2013, the Supplementary Retirement Plan for Alberta Public Service Managers had a deficiency of $12,384 (2012 deficiency $51,870). The Corporation's share of these pension plans' deficiency is not determinable. The Corporation is not responsible for future funding of the plan deficits other than through contribution increases.

Note 12 Contingencies and Contractual Obligations

Contingent Liability

	2014	2013
Loan guarantees	$ 10,226	$ 1,944
Less allowances for losses	(150)	(150)
	10,076	1,794
Legal actions	-	397
Total contingencies	$ 10,076	$ 2,191

Included in loan guarantees is $8.75 million guaranteed under the Alberta Flood Recovery Loan Guarantee Program (AFRLGP), which was established to assist Alberta businesses directly impacted by the June 2013 flood in southern Alberta. Under the AFRLGP, the Corporation has entered into agreements with financial institutions guaranteeing repayment of up to 75% of loans issued under this program.

Note 12 Contingencies and Contractual Obligations (continued)

The Corporation has not been named in any legal matters of which the outcome is not determinable (2013 one).

Contractual Obligations

	2014	2013
Approved, undisbursed loans	$ 181,981	$ 153,436
Reinsurance	25,170	25,441
Operating leases	6,246	3,609
Other contracts	2,556	-
Total commitments	$ 215,953	$ 182,486

The operating lease contractual obligations are for accommodations with terms up to fourteen years.

Note 13 Financial Instruments and Financial Risk Management

Financial instruments comprise the majority of AFSC's assets and liabilities. AFSC is exposed to credit, interest and liquidity risks in respect to its use of financial instruments.

Credit Risk

Credit risk is the possibility that a debtor will not pay amounts owing to AFSC, resulting in a loss to the Corporation.

AFSC's maximum possible exposure to credit risk is as follows:

	2014	2013
Loans receivable	$1,954,399	$1,777,381
Investments	1,634,743	1,119,771
Due from Government of Canada	116,260	147,835
Due from Government of Alberta	40,176	110,445
Accounts receivable	11,992	10,877
Loan guarantees	10,226	1,944
Total commitments	$3,767,796	$3,168,253

Loans receivable - Security requirements for a loan or guarantee depend on the risk involved in each individual operation. Adequate security is required for new and emerging businesses as well as for enterprises needing specialized or customized equipment. To mitigate credit risk, lending staff monitor loan accounts continually to ensure prompt response to any financial difficulties customers may encounter.

Note 13 Financial Instruments and Financial Risk Management (continued)

Investments - AFSC invests surplus funds generated by Production and Hail Insurance operations. To decrease the risk of loss of investment, the majority of funds are invested in bonds of federal or provincial governments or securities of corporations that have superior credit ratings. The investments are managed by Alberta Investment Management Corporation, an Alberta Crown Corporation. AFSC also invests in asset-backed securities (AAA rating) and senior bank notes (A rating and higher). Both of these investments consist of securities with relatively low levels of risk.

Due from the Government of Alberta and the Government of Canada – AFSC is not exposed to significant credit risk as payment in full is typically collected when due.

Accounts receivable - Payments to some CAIS/AgriStability participants resulted in overpayments when information provided to AFSC by participants proved to be incorrect or not supported. This creates a risk of potential non-repayment of the overpayments. The Corporation may set off overpayments against any payments to customers.

AFSC provides insurance coverage on crops, effective at the acceptance of the customer's application for insurance, with or without payment of premiums in full. Non-collection of outstanding insurance premiums is a risk. To minimize this risk, a discount is offered for early payment of insurance premiums and arrangements made for a payment schedule for all customers not taking advantage of the discount. Insurance staff closely monitors outstanding premiums and promptly take collection action when required.

The following breakdown of the Loans receivable provides an indication of the concentration of credit risk in the loan portfolio. Further information is provided throughout these statements which disclose other concentrations of credit risk.

	2014		2013	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	$ 945,750	48%	$ 832,017	47%
Cattle	472,814	24%	442,863	25%
Accommodations and Other Services	122,898	6%	110,349	6%
Manufacturing	101,849	5%	87,934	5%
Other Livestock	69,352	4%	66,545	4%
Trade - Retail and Wholesale	68,073	3%	69,063	4%
Commercial and Industrial	49,174	3%	52,096	3%
Transportation and Warehousing	38,092	2%	33,598	2%
Professional Services	30,674	2%	26,055	1%
Other	88,314	5%	94,253	5%
Allowance	(32,591)	-2%	(37,392)	-2%
	$ 1,954,399	100%	$ 1,777,381	100%

Note 13 Financial Instruments and Financial Risk Management (continued)

Interest Rate Risk

Interest rate risk is the impact future changes in interest rates have on cash flows and fair values of financial assets and liabilities. AFSC's interest rate exposure relates to investments, loans receivable, and borrowing from the Government of Alberta.

Investments – Interest rate risk on investments is mitigated by AFSC's Investment Policy for surplus funds. The investment policy is approved by the Board of Directors and compliance with the policy is reported to the Board Audit Committee at least twice a year. Duration of investments are set to match management's best estimate of when investments may be needed to be liquidated to meet financial commitments.

Loans receivables – Loans receivable balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrower's repayment preferences.

Borrowing from the Government of Alberta - The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. The Government of Alberta provides an annual contribution to the Corporation that includes an amount to bridge the gap between interest revenue from the loan portfolio and interest on borrowings annually through the budget process. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the Corporation's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment[1]				Not[2] Interest Rate Sensitive	2014	2013
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Loan balances	$ 177,499	$ 588,352	$ 566,444	$ 613,664	$ 8,440	$ 1,954,399	$ 1,777,381
Yield	4.69%	4.33%	4.41%	3.75%	-	4.34%	4.77%
Borrowing from Government of Alberta	$ 45,479	$ 549,020	$ 752,403	$ 580,721	$ 18,945	$ 1,946,568	$ 1,808,219
Yield[3]	3.69%	3.76%	3.61%	3.12%	-	3.64%	3.72%
Net gap	$ 132,020	$ 39,332	$ (185,959)	$ 32,943	$ (10,505)	$ 7,831	$ (30,838)

(1) For loan balances, scheduled repayments of principal are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual repayment of principal.

(2) Includes specific and general allowance, accrued interest and unamortized loan discount.

(3) Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 13 Financial Instruments and Financial Risk Management (continued)

Liquidity Risk

Liquidity risk relates to AFSC's ability to access sufficient funds to meet its financial commitments.

AFSC's primary liquidity risk relates to its liability for insurance claims. Insurance claims are funded firstly with current year premiums collected, which normally exceeds cash requirements. In addition, the investment portfolio of surplus funds in insurance operations is structured in such a way that a portion of the portfolio is accessible at short notice to fund claim payments. The Corporation also carries private sector reinsurance for AgriInsurance and Hail Insurance providing significant protection against catastrophic losses. If all of the above are exhausted, the AgriInsurance program has a reinsurance agreement with the Government of Canada and the Government of Alberta to provide additional funding for claim payments. Additionally, the Corporation has access to advances from the Government of Alberta to meet short-term cash flow needs.

Note 14 Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Corporation.

The Corporation had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2014	2013
Revenues:		
Grants	$ 323,397	$ 302,065
Other	4,801	4,813
	$ 328,198	$ 306,878
Expenses:		
Accommodation	$ 784	$ 799
Other services	1,717	1,579
Interest	67,752	66,157
	$ 70,253	$ 68,535
Payable to:		
Ministry of Agriculture and Rural Development	$ 520	$ 500
Ministry of Treasury Board and Finance	1,946,568	1,808,219
Ministry of Service Alberta	4	4
Receivable from:		
Ministry of Agriculture and Rural Development	40,176	110,445
Ministry of Municipal Affairs	-	-
Deferred Revenue from:		
Ministry of Agriculture and Rural Development	6,998	6,405
	$ 1,994,266	$ 1,925,573

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 15 Crop Reinsurance Funds

The contributions, withdrawals and accumulated net asset positions of the Crop Reinsurance Fund of Alberta and the Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(n)):

	AgriInsurance Reinsurance Fund of Alberta		AgriInsurance Reinsurance Fund of Canada for Alberta	
	2014	2013	2014	13
Opening net assets	$ 30,379	$ 27,549	$ 31,056	$ 28,226
Contributions	3,262	2,830	3,262	2,830
Closing net assets	$ 33,641	$ 30,379	$ 34,318	$ 31,056

The net assets balance in Crop Reinsurance fund of Alberta is consolidated in AgriInsurance Fund in Schedule 1.

Note 16 Comparative Figures

The 2013 figures have been reclassified where necessary to conform to 2014 presentation.

Schedule 1

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF OPERATIONS
YEAR ENDED MARCH 31, 2014
(dollars in thousands)

	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	AgriInsurance Note 2(n)	AgriInsurance Note 2(n)	Agriculture Income Support	Agriculture Income Support	Lending	Lending	Hail Insurance	Hail Insurance	Livestock Insurance	Livestock Insurance	Wildlife Damage Compensation	Wildlife Damage Compensation	Total	Total
Revenues:														
Premiums from insured persons	$ 309,142	$ 259,074	$ -	$ -	$ -	$ -	$ 46,392	$ 46,549	$ 23,433	$ 8,491	$ -	$ -	$ 378,967	$ 314,114
Interest	719	442	1,300	662	82,984	79,298	100	77	46	6	-	-	85,149	80,485
Contribution from Government of Alberta	266,860	225,959	37,893	59,867	16,404	16,481	-	-	2,173	1,898	4,868	2,673	328,198	306,878
Contribution from Government of Canada	232,233	205,379	21,282	37,783	-	-	-	-	400	-	4,655	2,575	258,570	245,737
Investment income	31,929	28,594	327	629	461	1,161	193	245	(76)	(23)	(24)	(8)	32,810	30,598
Fees and other income	158	64	10,441	11,734	3,149	3,047	383	9,065	(2)	233	71	46	14,200	24,189
	841,041	719,512	71,243	110,675	102,998	99,987	47,068	55,936	25,974	10,605	9,570	5,286	1,097,894	1,002,001
Expenses:														
Indemnities	308,355	552,193	52,201	92,019	-	-	37,773	58,506	5,803	22,623	8,607	4,614	410,739	729,955
Salaries, wages and employee benefits	23,273	22,987	13,007	13,229	17,009	17,448	1,182	1,225	1,680	1,225	618	374	56,769	56,488
Supplies and services	11,139	11,482	5,001	5,841	5,964	5,567	1,038	1,880	810	585	354	241	24,306	25,596
Amortization of tangible capital assets	2,755	2,152	2,751	2,555	2,776	2,683	734	739	443	426	57	27	9,516	8,582
Interest	4	-	2	-	67,925	66,719	-	-	-	-	-	-	67,931	66,719
Reinsurance	28,693	27,966	-	-	-	-	1,918	1,810	-	-	-	-	30,611	29,776
Allowance for doubtful accounts and for losses (Note 3 & 4)	(275)	83	189	(1,502)	(3,203)	11,570	(69)	(49)	4	-	82	-	(3,272)	10,102
	371,944	616,863	73,151	112,142	90,471	103,987	42,576	64,111	8,740	24,859	9,718	5,256	596,600	927,218
Net operating results	469,097	102,649	(1,908)	(1,467)	12,527	(4,000)	4,492	(8,175)	17,234	(14,254)	(148)	30	501,294	74,783
Net assets at beginning of year	1,332,736	1,239,041	5,165	11,778	67,015	71,015	16,079	24,254	(11,225)	3,029	1,389	1,464	1,411,159	1,350,581
Adjustment to opening net assets (Note 2)	-	(8,954)	-	(5,146)	-	-	-	-	-	-	-	(105)	-	(14,205)
Adjusted net assets at beginning of year	1,332,736	1,230,087	5,165	6,632	67,015	71,015	16,079	24,254	(11,225)	3,029	1,389	1,359	1,411,159	1,336,376
Net assets at end of year	$ 1,801,833	$ 1,332,736	$ 3,257	$ 5,165	$ 79,542	$ 67,015	$ 20,571	$ 16,079	$ 6,009	$ (11,225)	$ 1,241	$ 1,389	$ 1,912,453	$ 1,411,159

Schedule 2

AGRICULTURE FINANCIAL SERVICES CORPORATION

SCHEDULE OF SALARIES AND BENEFITS

YEAR ENDED MARCH 31, 2014

(dollars in thousands)

	2014				2013
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Chairman of Board	$ 66	$ -	$ 1	$ 67	$ 82
Board members[4]	289	-	7	296	271
President and Managing Director	475	40	155	670	671
Vice-Presidents					
Senior Vice-President, Corporate Services	266	35	83	384	346
Chief Operating Officer	241	26	75	342	340
Vice-President, Human Resources & Culture	237	21	74	332	320
Vice-President, Sales & Market[5]	209	18	63	290	310
Vice-President, Innovation & Product Development(6)	222	2	66	290	125
Chief Information Officer(6)	191	16	57	264	95
Chief Financial Officer(6)	181	3	53	237	80

(1) Base salaries are fees for Chair and Board members and base pay for employees.

(2) Other cash benefits include vacation payments and lump sum payments. There were no bonuses paid during the year.

(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

(4) The amounts relate to eleven Board members during 2013/14 (eleven in 2012/13).

(5) Position was for eleven months.

(6) Positions commenced December 1, 2012.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

FINANCIAL STATEMENTS
Year ended March 31, 2014

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

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Schedule of Salary and Benefits

Schedule of Related Party Transactions

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Board of Directors of the Alberta Livestock and Meat Agency Ltd.

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Livestock and Meat Agency Ltd., which comprise the statement of financial position as at March 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Livestock and Meat Agency Ltd., as at March 31, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 29, 2014
Edmonton, Alberta

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2014
(in thousands)

	2014 Budget (Schedule 4)	2014 Actual	2013 (Restated)
Revenues			
Government Transfers			
Government of Alberta Grants	$ 28,923	$ 27,689	$ 35,099
Investment Income	250	62	81
Other Revenue	1,399	1,413	2,348
	30,572	**29,164**	**37,528**
Expenses			
Industry Investment	12,501	10,847	14,862
Strategic Initiatives	12,014	13,763	16,860
Corporate Services	4,558	3,524	3,451
Livestock Development	1,279	1,244	2,137
	30,352	**29,378**	**37,310**
Annual operating (deficit) surplus	**$ 220**	**$ (214)**	**$ 218**

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors:

Dr. David Chalack, Chair of the Board

Ron Jackson, Chair, Audit, Finance and Risk Committee

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014
(in thousands)

	2014	2013 (Restated)
Assets		
Cash and Cash Equivalents (Note 4)	$ 8,103	$ 4,735
Due from Government of Alberta	6,690	8,812
Accounts Receivable	94	37
Tangible Capital Assets (Note 5)	1,362	1,579
	$ 16,249	**$ 15,163**
Liabilities		
Accounts Payable and Accrued Liabilities	$ 471	$ 1,641
Grants Payable	9,088	5,417
Unearned Revenue (Note 6)	2,639	3,840
	12,198	**10,898**
Net Assets		
Net Assets at Beginning of Year	4,265	4,047
Accumulated Operating (Deficit) Surplus	(214)	218
Net Assets at End of Year	4,051	4,265
	$ 16,249	**$ 15,163**

Contractual Obligations (Note 7)

The accompanying notes and schedules are part of these financial statements.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014
(in thousands)

	2014	2013 (Restated)
Operating Transactions		
Annual Operating (Deficit) Surplus	$ (214)	$ 218
Non-cash items:		
Amortization of Tangible Capital Assets	362	278
Loss on Disposal of Tangible Capital Assets	-	6
Unearned Revenue recognized as revenue	(1,244)	(2,137)
	(1,096)	**(1,635)**
Decrease (Increase) in Accounts Receivable and Due from Government of Alberta	2,065	(1,466)
Decrease in Accounts Payable and Accrued Liabilities	(1,170)	(1,384)
Increase (Decrease) in Grants Payable	3,671	(4,450)
Unearned Revenue received/receivable	43	129
Cash Provided by (Applied to) Operating Transactions	**3,513**	**(8,806)**
Capital Transactions		
Acquisition of Tangible Capital Assets	(148)	(521)
Transfer of Tangible Capital Assets to		
Department of Agriculture and Rural Development	3	19
Cash Applied to Capital Transactions	**(145)**	**(502)**
Increase (Decrease) in Cash and Cash Equivalents	**3,368**	**(9,308)**
Cash and Cash Equivalents at Beginning of Year	**4,735**	**14,043**
Cash and Cash Equivalents at End of Year	**$ 8,103**	**$ 4,735**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements for the Year Ended March 31, 2014

Note 1 Authority and Purpose

The Alberta Livestock and Meat Agency Ltd. is a Provincial Agency incorporated on January 29, 2009 under the *Alberta Business Corporations Act* (Alberta), and operates under the authority of the *Financial Administration Act*.

The Alberta Livestock and Meat Agency Ltd. (the Agency) was established to revitalize Alberta's livestock and meat industry and to act as a catalyst to help enhance industry competitiveness and profitability.

The Agency is a subsidiary of the Ministry of Agriculture and Rural Development of the Province of Alberta. The Ministry of Agriculture and Rural Development and its wholly owned subsidiaries are exempt from the payment of income tax under the *Income Tax Act*.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

Basis of Financial Reporting

Revenues – All revenues are reported on the accrual basis of accounting.

Government Transfers – Transfers from the Government of Alberta are referred to as government transfers.

Government transfers and the associated externally restricted income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Agencies actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Agency complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Agency is eligible to receive the funds.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Grants are recognized as expenses when authorized, eligibility criteria if any are met by the recipient, and a reasonable estimate of the amounts can be made.

Valuation of Financial Assets and Liabilities

The Agency has no assets or liabilities measured in the fair value category and has not engaged in Foreign Currency transactions. The Agency has no remeasurement gains or losses and consequently has not presented a Statement of Remeasurement Gains and Losses.

Cash – Cash consists of deposits in the Consolidated Cash Investment Trust Fund, which is managed by Alberta Treasury Board and Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Assets – Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets are limited to financial claims, such as advances to and receivables from other organizations.

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets, and amortized on a straight-line basis over the estimate useful lives of the assets.

Work in progress, which includes development of information systems, is not amortized until after a project is complete and the asset is put into service.

The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Grants payable are recognized when eligibility criteria are met by the recipient and a reasonable estimate of the amounts can be made.

Restricted fund obligations are recorded as unearned revenue until the period when the related expenses are incurred, then they are recognized as revenue.

Net Assets - Net assets/net liabilities represent the difference between the carrying value of assets held by the Agency and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Agency operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Note 3 Restatement of Prior Year Figures
(in thousands)

The change in the Net Operating Results reflects the recognition of the Net Book Value of an asset previously recorded as a tangible capital asset in error.

Net Operating Results, as previously reported at March 31, 2013	$ 242
Less: Operating Expense erroneously recorded as Capital Expense	(24)
Net Operating Results, as restated March 31, 2013	$ 218

The impact on Net Assets at the End of the Year is reflected as follows:

Net Assets at End of Year, as previously reported at March 31, 2013	$ 4,289
Less: Operating Expense erroneously recorded as Capital Expense	(24)
Net Assets at End of Year, as restated March 31, 2013	$ 4,265

Note 4 Cash and Cash Equivalents
(in thousands)

Cash and cash equivalents consists of:

	2014	2013
Cash	$ 5,464	$ 895
Restricted Cash [1]	2,639	3,840
	$ 8,103	$ 4,735

[1] Restricted cash consists of unearned revenue. Further details are provided in Note 6.

Note 5 Tangible Capital Assets
(in thousands)

	2014				2013
	Equipment	Computer Hardware and Software	Leasehold Improvements	Total	Total (Restated)
Estimated Useful Life	10 years	3 -5 years	5 years		
Historical Cost [a]					
Beginning of Year	$ 888	$ 1,303	$ 133	$ 2,324	$ 1,857
Additions	13	135	-	148	521
Transfers Out [b]	-	(11)	-	(11)	(45)
Disposals	-	-	-	-	(9)
	$ 901	$ 1,427	$ 133	$ 2,461	$ 2,324
Accumulated Amortization					
Beginning of Year	$ 331	$ 314	$ 100	$ 745	$ 496
Amortization Expense	89	246	27	362	278
Transfers Out [b]	-	(8)	-	(8)	(26)
Effect of Disposals	-	-	-	-	(3)
	$ 420	$ 552	$ 127	$ 1,099	$ 745
Net Book Value at March 31, 2014	$ 481	$ 875	$ 6	$ 1,362	$ 1,579
Net Book Value at March 31, 2013	$ 557	$ 989	$ 33	$ 1,579	

[a] Historical cost includes work-in-progress at March 31, 2014 totaling $176 comprised of computer software (2013 - $216).
[b] Includes transfer of computer hardware to Department of Agriculture and Rural Development, comprised of historical cost of $11 (2013 - $45) and accumulated amortization of $8 (2013 - $26).

Note 6 Unearned Revenue
(in thousands)

As at March 31, 2009 the Agency assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The transfer includes restricted fund obligations assumed by the Agency which are recorded as Unearned Revenue. Details for each fund and the status of these obligations are as follows:

	2014	2013
Unearned Revenue	$ 2,639	$ 3,840
	$ 2,639	$ 3,840

Note 6 Unearned Revenue (continued)
(in thousands)

	2014				2013
	ALIDF Fund 2 - 2004 Post BSE Commercialization and Development (Restated)	ALIDF Fund 7 - 2008 Enhanced Livestock and Meat Sector Initiative (Restated)	DLFOA Fund 5 - 2008 Diversified Livestock Research and Development	Total	Total
Balance, beginning of year[1]	$ 462	$ 847	$ 2,531	$ 3,840	$ 5,848
Received during the year	-	-	-	-	48
Restricted Realized Investment Income	2	13	28	43	81
Less amounts recognized as revenue	(274)	(161)	(809)	(1,244)	(2,137)
Balance, end of year	$ 190	$ 699	$ 1,750	$ 2,639	$ 3,840

[1] Restated to correct prior year balance in respective Funds 2 and 7 in the amount of $181.

Note 7 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the Agency to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2014	2013
Obligations:		
Operating Leases	$ 3,006	$ 884
Contracts	132	158
Programs	13,749	7,241
	$ 16,887	$ 8,283

Program obligations consist of obligations to disburse funds in accordance with the terms specified in the grant agreements with various applicants as approved by the respective Boards of the ALIDF ($285) and the DLFOA ($94). In addition, the Agency has obligations resulting from new grant agreements ($13,370).

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Operating Leases	Contracts	Programs	Total
2014-15	$ 533	$ 132	$ 9,353	$ 10,018
2015-16	594	-	3,531	4,125
2016-17	594	-	643	1,237
2017-18	594	-	222	816
2018-19	592	-	-	592
Thereafter	99	-	-	99
	$ 3,006	$ 132	$ 13,749	$ 16,887

Note 8 Benefit Plans
(in thousands)

The Agency participates in the multi-employer pension plans: Management Employees' Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The Agency accounts for these multi-employer pension plans on a defined contribution basis. The Agency is not responsible for future funding of the plan deficit other than through contribution increases.

The expense for these pension plans is equivalent to the annual contributions of $358 for the year ended March 31, 2014 (2013 – $382).

The Agency does not have sufficient plan information on the MEPP/PSPP/MRCA to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pensions expense recorded for the MEPP/PSPP/MRCA is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

At December 31, 2013, the Management Employees Pension Plan reported a surplus of $50,457 (2012 – deficiency $303,423), the Public Service Pension Plan reported a deficiency of $1,254,678 (2012 – deficiency $1,645,141), and the Supplementary Retirement Plan for Public Service Managers had a deficiency of $12,384 (2012 – deficiency $51,870).

Note 9 Comparative Figures

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

Note 10 Approval of Financial Statements

The financial statements were approved by the Board of the Agency.

Schedule 1

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2014
(in thousands)

	2014 Budget	2014 Actual	2013 Actual (Restated)
Salaries, Wages and Employee Benefits	$ 3,597	$ 3,040	$ 3,277
Supplies and Services	5,184	2,530	2,843
Grants	21,421	23,446	30,906
Amortization of Tangible Capital Assets	150	362	278
Loss on Disposal of Tangible Capital Assets	-	-	6
	$ 30,352	$ 29,378	$ 37,310

Schedule 2

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE OF SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2014
(in thousands)

	2014				2013
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Chairman of Board [4]	$ 142	$ -	$ -	$ 142	$ 172
Board Members [4]	$ 339	-	-	$ 339	$ 344
President and Chief Executive Officer	$ 193	$ 8	$ 41	$ 242	$ 239

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base salary includes fees for Chair and Board members and regular pay for employees.

(2) Other cash benefits include an automobile allowance and health spending account payments. There were no bonuses paid in 2014.

(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans.

(4) The Board consists of a maximum of 12 members including the Chairman, whose salary is disclosed separately. As of March 31, 2014, there was 1 position vacant. During the year, the equivalent of 10 positions were occupied.

Schedule 3

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE OF RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2014
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements.

The Agency had the following transactions with related parties recorded in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities [1]	
	2014	2013	2014	2013
Revenues:				
Grants	$ 27,689	$ 35,099	$ -	$ -
	$ 27,689	$ 35,099	$ -	$ -
Expenses - Directly Incurred:				
Grants	$ 415	$ 602	$ 8,512	$ 10,207
Other services	-	-	19	21
	$ 415	$ 602	$ 8,531	$ 10,228
Tangible Capital Assets Transferred to				
Department of Agriculture and Rural Development	$ 3	$ 19	$ -	$ -
	$ 3	$ 19	$ -	$ -
Payable to				
Agriculture Financial Services Corporation	$ 4	$ -	$ -	$ -
Department of Agriculture and Rural Development	640	749	-	-
Ministry of Treasury Board and Finance	-	-	-	1,033
Ministry of Innovation and Advanced Education	-	-	3,126	732
	$ 644	$ 749	$ 3,126	$ 1,765
Receivable from				
Department of Agriculture and Rural Development	$ 6,690	$ 8,788	$ -	$ -
Ministry of Innovation and Advanced Education	-	-	1	24
	$ 6,690	$ 8,788	$ 1	$ 24

[1] Other entities include schools, universities, colleges and health authorities.

Schedule 4

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE TO FINANCIAL STATEMENTS

BUDGET

YEAR ENDED MARCH 31, 2014

	Original Budget	Adjustment to Conform to Accounting Policy (in thousands)	Budget
Revenues			
Government Transfers			
Government of Alberta Grants	$ 28,923	$ -	$ 28,923
Investment Income	250	-	250
Other Revenue	1,399	-	1,399
	30,572	**-**	**30,572**
Expenses			
Industry Investment	$ 11,501	$ 1,000	$ 12,501
Strategic Initiatives	12,014	-	$ 12,014
Corporate Services	4,558	-	$ 4,558
Livestock Development	1,279	-	$ 1,279
	$ 29,352	**$ 1,000**	**$ 30,352**
Annual operating (deficit) surplus	**$ 1,220**	**$ (1,000)**	**$ 220**
Capital Spending	$ 1,000	$ (1,000)	$ -

Other Information

* Information on this page has not been audited *

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2014

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs

Departmental accounts receivable	$	-
Agriculture Financial Services Corporation		1,946,944
Total remissions, compromises and write-offs	**$**	**1,946,944**

The following statement has been prepared pursuant to Section 75 of the *Financial Administration Act*. The statement includes all guarantees, indemnities, payments and recoveries made during the fiscal year.

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2014

Program/Borrower		Amount of Guarantee or Indemnity	Payments		Recoveries
Agriculture Financial Services Corporation	$	10,226,448	-	$	-
Total guarantees and indemnities given	**$**	**10,226,448**	-	**$**	-

Statutory Report

Public Interest Disclosure Act

Section 32 of the *Public Interest Disclosure Act* requires the ministry to report annually on the following parts of the Act:

(a) the number of disclosures received by the designated officer of the Public Interest Disclosure Office, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
(b) the number of investigations commenced by the designated officer as a result of disclosures;
(c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2013-14 for the ministry, there were no disclosures of wrongdoing filed with the Public Interest Disclosure Office.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT 2013-14

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